

INSTITUTE OF GOVERNMENTAL
STUDIES LIBRARY

MAY 14 1987

UNIVERSITY OF CALIFORNIA

HOUSING ELEMENT
OF THE
CITY OF PALM SPRINGS GENERAL PLAN

PREPARED BY
CITY OF PALM SPRINGS
DEPARTMENT OF COMMUNITY DEVELOPMENT

Revised March, 1984

INSTITUT OF GOVERNMENTAL
STUDIES LIBRARY

MAY 14 1961

UNIVERSITY OF CALIFORNIA

TABLE OF CONTENTS

| | Page |
|--------------------------------------------------------------------|------|
| I. Introduction | 1 |
| II. The Housing Problem | 5 |
| III. Obstacles and Constraints | 19 |
| IV. The Housing Program | 33 |
| V. Appendices | 50 |
| A: Brief Summary of AFCOM/Fredricks Affordable Housing Project ... | 57 |
| B: Neighborhood Strategy Area Plans (Summary) | 63 |
| C: Covenant Control Mechanism/Density Bonus Program | 72 |

1961

1. The first part of the paper is devoted to a discussion of the

2. The second part of the paper is devoted to a discussion of the

3. The third part of the paper is devoted to a discussion of the

4. The fourth part of the paper is devoted to a discussion of the

5. The fifth part of the paper is devoted to a discussion of the

6. The sixth part of the paper is devoted to a discussion of the

INTRODUCTION

For more than 30 years the nation has shown a strong commitment to the provision of a decent, safe and sanitary home and suitable living environment for every American household. This commitment came as a humane reaction to the deterioration and blight in which so many were living at that time. The past 30 years has seen dramatic improvement in the quality of the nation's housing stock resulting from a myriad of national, state and local housing policies and programs.

Through the years, many programs have been initiated to spur the creation of new housing, rehabilitate deteriorating units, and remove unsafe, dilapidated structures. Some of these programs have been successful while others have failed to produce the anticipated benefits. Throughout the past three decade the Federal Government has been the principal force in carrying out housing initiatives. Over the past ten years, however the State government has increased its involvement in housing, in large part due to the rapid inflation of rents and home prices. In recent years, the Federal government has backed away from many housing programs, but has still continued to observe the strong policy commitment to improvements in housing conditions and affordability.

Scope and Purpose:

The purpose of this document is to provide the City with a housing program aimed at encouraging the provision of decent, affordable, safe and sanitary housing and suitable living conditions for all segments of the community while also meeting the provisions and requirements of California State Law regarding housing. This document also includes a discussion of the local, regional, State, and national housing situation to provide background for the housing program. Additional background material, hereby incorporated by reference, can be found in the Palm Springs Housing Element Technical Report.

Since the mid-1960's, the California State Legislature, through the requirements of the Housing Element, has placed specific responsibilities on local governments for the identification and evaluation of housing needs and for a dedication to the satisfaction of those needs by the formulation of housing implementation programs. Section 65302 (c) of the Government Code requires a housing element of all city and county general plan which consists of: "an identification and analysis of existing and projected housing needs and a statement of goals, policies, quantified objectives, and scheduled programs for the preservation, improvement, and development of housing. The housing element shall identify adequate sites for housing, including rental housing, factory-built housing, and mobilehomes, and shall make adequate provision for the existing and projected needs of all economic segments of the community."

The law further requires that housing elements be developed pursuant to the provisions of Article 10.6 (Section 65580 et seq.) of the California Government Code. The following overview outlines the requirements for the revised housing element.

The broad State housing objectives, as established in Article 10.6 are as follows:

"65580. The Legislature finds and declares as follows:

- (a) The availability of housing is of vital statewide importance, and the early attainment of decent housing and a suitable living environment for every California family is a priority of the highest order.
- (b) The early attainment of this goal requires the cooperative participation of government and the private sector in an effort to expand housing opportunities and accommodate the housing needs of Californians of all economic levels.
- (c) The provision of housing affordable to low- and moderate-income households requires the cooperation of all levels of government.
- (d) Local and State governments have a responsibility to use the powers vested in them to facilitate the improvement and development of housing to make adequate provision for the housing needs of all economic segments of the community.
- (e) The Legislature recognizes that in carrying out this responsibility, each local government also has the responsibility to consider economic, environmental, and fiscal factors and community goals set forth in the general plan and to cooperate with other local governments and the State in addressing regional housing needs."

As a general guide to the development of an element and to carry out a coordinated, mutually supporting housing program aimed at the needs of a regional housing market, the following broad goals have been identified:

1. To serve as an official guide to the City Council, Planning Commission, other responsible governmental agencies, individual citizens, business persons and private organizations for the provision of adequate housing for all persons regardless of income, age, race or ethnic background, which shall include the open and free choice of varied housing types within and around the City of Palm Springs.
2. To assist in the allocation of public and private resources in Palm Springs to satisfy both existing and projected housing needs and thereby promote the general public welfare.
3. To inventory existing housing needs and make recommendations for the goals, policies and programs which can be instrumental in meeting these recognized needs.
4. To analyze local and regional constraints which often frustrate the development of active, aggressive housing programs.
5. To fulfill the requirements of State Planning Law regarding the preparation of a housing element.

The major differences between the Element adopted on April 6, 1983, and this revision are as follows:

1. The update of the background material based on 1980 U.S. Census figures and other more recent information not available for the previous Element.
2. The inclusion of more detailed information regarding available housing sites, as required by Article 10.6.

3. The inclusion of programs regarding energy conservation measures for housing, as required by Article 10.6
4. The inclusion in programs use of redevelopment powers and funds for housing; the recently adopted redevelopment project areas are subject to State Redevelopment Law, adopted in 1976, requiring redevelopment agencies to provide funding and other incentives to encourage low- and moderate-income housing.

Relationship to Other General Plan Elements:

The housing element, provides the community with a policy document of housing goals and objectives, based upon analysis of regional and local housing conditions. In the context of the General Plan, however, it becomes an integral part of a larger plan, deriving an influence upon the community from this interrelationship with the balance of the General Plan. The Housing Element depends, therefore, upon the strength and consistency of the overall General Plan and the degree to which that plan is followed. In Palm Springs, the planning process has been strong enough to make long-range adjustments. This Housing Element adds further strength to the General Plan without impairing such flexibility. The Element also makes the community a part of the State and national effort to provide a "decent home and suitable living environment for every American family," through this statement of local commitment.

The following mandated General Plan elements must be consistent with the Housing Element are:

| | |
|--------------|----------------|
| Land Use | Noise |
| Circulation | Seismic Safety |
| Conservation | Safety |
| Open Space | Transportation |

Additionally, the Housing Element should be consistent with any optional element to the General Plan, i.e., Parks and Recreation.

The Regional Description:

Urban development in the upper Coachella Valley has largely been shaped by the physical obstacles of the desert, with the communities established in the protected coves where water is available and away from the sandstorm areas of the central valley. From a once sleepy desert retreat, the upper Coachella Valley has grown into a sophisticated resort area with complex service systems and emerging urban problems, all within one generation. This high rate of growth can be attributed as much to the successful marketing of the resort as it can to the negative reaction of many people wishing to escape from intensely metropolitan urban areas. Those two forces have created a valley community with an increasing awareness and concern about the rapid growth, environmental limitations, and urban social problems.

Riverside County is among the fastest growing counties in the nation with the population increasing 45.3% in the 1970's to 663,923 in 1980. The County's population increased 10.1% between 1980 and 1983 to 731,200.

The Coachella Valley grew 44.5% between 1970 and 1980. The upper Coachella Valley, one of the fastest growing areas of the county, grew 54.4% in the 1970's to 78,109 in 1980. During the same period, the City of Palm Springs grew 50.6% to a total of 32,366 in 1980. The City's rapid growth has continued with the population rising an additional 14.0% by 1983.

As the focal point of the upper Coachella Valley, Palm Springs has become alert to the growing demand for more services, particularly for those persons who work and live in the community yearround. Many new facilities and services have been created over the past several years, including a child care center, a new fire station, a sewer plant expansion and many park improvements. These efforts are part of the emergence of the City from a resort-visitor orientation to an orientation which balances the needs of the permanent and seasonal resident.

As a housing market area, Palm Springs is both the visitor and employment center of the upper Coachella Valley. The City has almost as many dwelling units (including hotel rooms) as permanent residents and high vacancy rates, which reflect the high seasonal fluctuation. The availability of dwelling units based on vacancy rates may appear to discount an existing housing "need," but this is not necessarily the case due to the seasonal nature of the City's economy.

The following sections of this document discuss the City and regional housing conditions with the consideration of the area's special seasonal, tourist-oriented economy.

BACKGROUND:

Palm Springs lies in the southwest portion of the upper Coachella Valley. The housing market area extends north, east, and southeast toward the communities of Desert Hot Springs, Thousand Palms, Cathedral City, and Rancho Mirage. The major urban development occurred around the canyons and coves of the valley, where water and shelter from high winds are found, thus forming a string of communities along the southern edge of the Valley at the base of the San Jacinto and Santa Rosa Mountains.

Three factors have been major contributors to the development pattern of the City. The steep slopes of the San Jacinto Mountains, have imposed limits to development on the west and south edges of the urbanized area. The half-mile wide flood plain of the Whitewater River creates a barrier to further development at the north and east edges of the City. The third and most active agent of nature is wind. The wind is a major form-determinant of the valley communities because it often creates damaging sand storms. The wind, in the past, has kept urban development from venturing out into the central valley. Efforts to tame the harsh wind and blowsand conditions have proven costly and have succeeded only when applied on a massive scale, such as the Southern Pacific Railroad windbreaks. These three obstacles--the mountains, river, and wind--have also in a large part influenced the City's social/economic structure, with the more expensive residential development at the southern and western wind-protected areas of the City and the moderate and lower income housing generally in the windy northern and eastern areas of the City.

Palm Springs, the largest city in Riverside County by land area, contains 76.5 square miles within corporate limits. The urbanized area, however, occupies approximately 26 square miles of the Coachella Valley floor. The remainder of the City consists of mountainous areas with many physical constraints to near term development; therefore this land area is excluded from immediate housing need considerations and discussion. However, as the Palm Hills area opens for development, it can be considered as an area to address housing needs.

As a resort community, the Palm Springs population can generally be divided into three broad groups: seasonal visitors, retired persons, and those who provide services to the first two groups. The quiet, relaxed desert life style has attracted a large mature population with a median age of 46.5, many with relatively high income levels. As a result, there is a sustained high demand for service workers.

The most prevalent and carefully nurtured image of Palm Springs is that of a city of rich people where there is no poverty. The City obtained its fame and reputation as a favored resort of the celebrated and affluent, creating an economy which has a high demand for low-paid service workers to pamper visitors and seasonal residents.



A major obstacle, therefore, to the provision of adequate housing for all income levels is having the low and moderate income housing shortage recognized. Of all the various obstacles, this is perhaps the most difficult to deal with effectively, since it reveals itself on such a broad scale--from the average local resident to the developers and bankers, and State and Regional housing officials.

Many service workers and less affluent retirees find it difficult to find adequate housing. Various factors contribute to the overall problem. First, the high demand for housing caused by the area's high level of immigration, especially during the nine month tourist season, inflates housing costs. Second, although there have been concerted efforts on the part of the City to relieve the housing problem through the provision of approximately 550 federally subsidized housing units, federal monies for additional units has dried up while existing units have long waiting lists. Third, the generally high cost of housing in Palm Springs, much of it marketed to the affluent seasonal resident, creates a burden for low and moderate income households. Extreme climatic conditions result in high energy consumption and further increase the cost of a suitable living environment.

There are, of course, other factors limiting the market in providing enough affordable housing. The physical constraints on development have effectively drawn the limits of the City's eventual size. As this finite area is absorbed by development, the more valuable the vacant land becomes. This basic economic rule is exaggerated by two additional factors. First, the demand for land has been very high for several years, in anticipation of the cyclical building booms. Second, the housing market is in large part oriented to the profitable second-home demand thereby giving short shrift to the need for primary housing and causing existing stock to appreciate rapidly.

The Housing Element is intended to respond to the housing needs of the community; therefore, the primary emphasis and focus of this Element will be toward the development and maintenance of low and moderate income permanent housing.

Three other related factors also restrict the opportunities for future development and must be considered--namely, the high cost of living, Federal restrictions on site selection and funding levels, limits on City revenue sources, and high interest rates.

Housing Element The Housing Problem (Cont'd.)

The cost of living in Palm Springs is high. According to the surveys conducted by the American Chamber of Commerce, local costs for goods and services, transportation, housing, and health is significantly higher than both the national and regional costs for similar items. Such a situation can be expected in a resort community catering primarily to the inflow of visitor monies, but the problem arises when local wages are governed by a more regional base. This puts less skilled workers and fixed-income retirees in the position of having to provide themselves with housing at a disproportionately higher cost in relation to their income levels than other parts of the nation, while also coping with higher costs for food and other household needs.

Other obstacles to the development of low and moderate income housing are Federal Government regulations. They fall into two broad categories--namely site selection criteria and eligibility requirements. The first problem involves the criteria for determining an acceptable site for federally assisted housing. Among the criteria are restrictions against non-sewered sites, sites removed from schools, shopping, and jobs, areas of high racial segregation, high wind areas, and areas with other assisted housing. The criteria are designed to ensure the desegregation of low income housing while still providing convenient, well served sites. Unfortunately, some of these criteria do not work well in Palm Springs. When the above criteria are met, the site selection is magnetically drawn to downtown, where there are already two assisted projects.

The level of Federal funding is also important. The County Housing Authority receives a high number of applications for assistance in the Palm Springs area. The Housing Authority has tried, but with limited success, to find the units in Palm Springs due to the high cost of housing and the Fair Market Rental rate limits allowed for the area. The fair market rental rate is based upon a regional housing cost study for Riverside County, thus its schedules are unable of meeting the higher local cost problem.

Even with the limits on eligible units, the Housing Authority is constantly fully leased up and has a one-year-plus waiting list for units due to funding constraints at the Federal level.

Of the many Federal housing programs, the only major one still operating is the Section 8 Housing Rental Assistance Payment Program which was authorized by the U.S. Housing Act of 1937 as amended by Section 201 of the Housing and Community Development Act of 1974. Through HUD, this program provides housing assistance for eligible lower income families (i.e., families whose income does not exceed 80 percent of median income for the County) occupying newly constructed, substantially rehabilitated, or existing housing. The rental subsidy payment will make up the difference between the Fair Market Rent for the unit and the amount the family is required to pay which is limited to no more than 30% of the family's adjusted income.

Distribution of Subsidized Housing in the Coachella Valley. *

| | <u>Section 8*</u> <u>Existing Units</u> | <u>Percent of</u> <u>Valley</u> <u>Total</u> | <u>Subsidized</u> <u>Project Units</u> | <u>Percent of**</u> <u>Valley</u> <u>Total</u> |
|-----------------------|--------------------------------------------|----------------------------------------------------|-------------------------------------------|------------------------------------------------------|
| Palm Springs | 122 | 15.4% | 435 | 21.3% |
| Desert Hot Springs | 61 | 7.8% | 195 | 9.6% |
| Cathedral City | NA | NA | 84 | 4.1% |
| Rancho Mirage | 0 | 0 | 0 | 0 |
| Palm Desert | 16 | 2.3% | 26 | 1.3% |
| Indian Wells | NA | NA | 0 | 0 |
| La Quinta | NA | NA | 22 | 1.1% |
| Indio | 365 | 46.2% | 862 | 42.3% |
| Coachella | 77 | 9.8% | 412 | 20.2% |
| Unincorporated Valley | 147 | 13.5% | NA | NA |
| TOTAL | <u>788</u> | <u>100.0%</u> | <u>2036</u> | <u>100.0%</u> |

* Riverside County Housing Authority, Section 8 Status Report November, 1983.

** Coachella Valley Housing Locator-October, 1982.

In the past, housing efforts have been concentrated in those areas of the region which have a history of providing low cost housing - generally, the older cities and outlying areas. In the Coachella Valley, subsidized housing has concentrated in Indio, Palm Springs, Coachella, and Desert Hot Springs.

At the same time as Federal housing funds have been reduced, actions at the State and local levels have restricted the cities' and state's ability to fill the funding void. Proposition 13 reduced the taxing powers of local governments and has led to substantial increases in State aid to cities and counties. Limited local and State revenues have been directed to providing needed public and social services (i.e., police, fire and welfare), leaving few funds for housing programs. To make the best use of available housing funds, local governments have had to enter into co-development with private firms, thus requiring a balancing of public housing goals and private profit goals. The result has been an increasing complexity in the provision of new affordable housing.

As government funds for housing programs have been limited, increased construction costs have coupled with high interest rates to severely limit the ability of the private housing industry to provide affordable non-subsidized units. During the late 1970's, interest rates rocketed into double-digit levels and have remained well above ten percent ever since. These high interest rates, over which local governments have no direct control, have priced many moderate and middle income households out of buying their own homes due to the high monthly mortgage payments; this situation has been further worsened by the rapid rise in home prices caused by the rampant speculative activity of the mid 1970's. High interest rates have also made market rate apartment development infeasible in many parts of the country.

HOUSING MARKET DISTRIBUTION FACTOR

The housing market extends over a wide geographical area larger than the Valley. The various factors contributing to this dispersion are as follows:

1. Accessibility - An excellent surface road system links all of the Valley communities, making even the farthest portions of the market area within a 20 to 30 minute drive. Even so, when housing is not available near the workplace, the mandatory requirements for commuting to an employment center places an undue financial hardship on low and moderate income workers.
2. Price - With few exceptions, generally the further from Palm Springs a family lives, the cheaper its housing costs thereby making it necessary for many lower income households to live in outlying areas despite the cost of commuting.
3. Other Employment Centers - For households having more than one wage earner, the residence is often located close to the employment area that has the most affordable housing and thus not in Palm Springs.
4. Lack of Local Affordable Housing - A significant, though undetermined, number of persons employed in the city do not live here because of the difficulty in finding affordable housing. Therefore, the entire Coachella Valley should be considered as a housing market area. It is perhaps indicative of the situation that while Palm Springs accounts for 25.7% of the Valley population, only 19.7% of the Valley's subsidized housing is found in the City, while Indio accounts for 17.2% of the population but has 43.4% of the Valley's assisted housing units.

HOUSING "NEED" EXPORTATION

It is not sufficient to say that there is no need to provide housing choices within an individual community, if opportunities exist in the larger market area. Exportation of housing needs unsatisfied in the local community, is contrary to the intent of Housing Element law. The concentration of lower income housing, along with the commensurate high demand for social services, unduly constrains a community's ability to provide its citizens with a satisfactory living environment.

Changes in Federal and State law have been aimed at discouraging exportation practices. With the passage of the guidelines for the administration of the U.S. Housing and Community Development Act of 1974, the definition of "housing need" was changed, making it necessary for communities to make every effort to meet the housing needs of persons who work within the community. On the State level, Housing Element law now stresses the policy of "fair share" distribution of lower income households to all communities based upon the regional percentage of lower income households.

As an individual community, there is little Palm Springs can do about exportation practices where they occur outside the City limits. However, Palm Springs can demonstrate its social responsibility through the thoughtful implementation of housing goals.

THE FUTURE

Using past historical trends and assuming a modest growth rate, the Valley is expected to reach a permanent population figure of 177,840 people by 1990.

In Palm Springs, a recent comparison of vacant land, with its existing zoning, found that the majority of new dwelling unit construction would take place in the multi-family density ranges. This fact has implications for the future in two respects: (a) options for low and moderate income, single family density developments may be diminishing; and (b) variety and choice in housing types, for all segments of the economy, must be encouraged from the present time forward.

THE COST OF HOUSING

During the past 35 years, housing costs have been of continual concern at the Federal level. In recent years, the cost of materials, building, labor, financing, buying, and operating a decent home has increased faster than family income. This is true for new, existing and rehabilitated housing, and for renters and owners alike. The rising cost of shelter is a nationwide problem which affects all of us.

For many years after World War II, the rapid rise in the standard of living and extensive Federal financing programs provided the average American family the choice of affordable, high quality, low density housing. During the late 1970's though, the rapid rise in the cost of land, construction and financing increased housing prices and monthly payments beyond the reach of most households. Escalating housing costs are affecting not only low and moderate income people, but many middle income families as well. Households throughout the Coachella Valley are paying higher housing costs for rent or house payments than they can afford. (More than 25 percent of their gross income; See: Table of Households Needing Assistance.)

Federally subsidized housing programs have attempted to respond to this low and moderate income housing need, but have not been able to meet the need as shown in the long waiting list for such programs.

Today's housing costs present a problem for all but the affluent. Valley cities are particularly concerned with providing housing for the large numbers of elderly retired residents who have come to the Valley to enjoy the relatively clean air and warm, dry climate. As the Valley grows, so does its job market, and additional lower income housing is needed for workers. Growth in the upper income housing market can only be balanced by a corresponding growth in the low and moderate income housing market.

According to U.S. Census figures, the median value of a single family house in Palm Springs increased 268.8% between 1970 and 1980, rising from \$27,710 to \$102,200 - only two other valley cities had higher average home values - Indian Wells and Rancho Mirage. At the same time, the average value of condominium units in the City was \$127,300. These units are generally newer and more resort-oriented than the average single family home. In 1980, the City's single family home value rated 20.9% higher than the State median (\$84,500). Also in 1980, the City's median rent was \$341/month, an increase of 130.4% over the 1970 figure of \$148, and 20.5% above the State figure of \$283/month. In comparison, the City's median household income increased only 105.0% from \$10,343 in 1970 to \$21,206 in 1980. This figure can be misleading because the City of Palm Springs has long been an area which has attracted the affluent. Therefore, the City has a disproportionate number of homes in the upper price ranges which tends to increase this figure.

Housing costs to the consumer have been increasing faster than the Consumer Price Index during both the 1960's and the 1970's. During the 1960's this was not a serious problem for most families because their income kept pace with housing prices, the overall cost of homeownership (which include loan amortization and operating costs), and rents.

During the 1970's, however, the picture changed dramatically. Household income lagged well behind housing cost inflation and did not even keep up with the Consumer Price Index. Despite some moderation in housing costs during the 1980's, primarily, due to a decline in interest rates, these costs have remained at high levels.

Though rental costs have not increased as dramatically as have ownership costs, fewer rental units are being constructed today than were built ten years ago. This has occurred in spite of the fact that the Palm Springs Rent Control Ordinance does not apply to newly constructed rental housing. The recent trend toward condominium development and condominium conversion of existing apartments has restricted the supply of affordable apartments. According to the 1980 U.S. Census, approximately 46.5% of the City's renter households paid more than 35% of this income for rent; 71.8% of those renter households earning less than \$10,000 paid over 35% of the income towards rent.

Many middle and even upper middle income families are paying more than 25% of their incomes for housing. While it can be easily pointed out that many households willingly choose to pay more than 25% of their incomes for rent or mortgage payments, Commerce Department Expenditure Studies and the Census clearly show that the poorer a household is, the larger a percentage of income must go for housing, and consequently less income goes for other essentials, such as food, clothing and transportation.

CONDITION OF HOUSING

Approximately 56% of the housing units in the City have been built since 1970. This factor accounts in large part for the generally good condition of the housing stock. However, in some areas housing was inadequately constructed; some of these structures can be substantially rehabilitated - others will have to be demolished and replaced.

HOUSING OVERCROWDING

Reference should be made to the City of Palm Springs Housing Status Chart and the City Trend Data, following the statistical summary in the Housing Element Technical Report.

In general, the City has a low population per household. In fact, the population per household within the City has decreased continuously since 1960. Still, according to the 1980 U.S. Census, 612 housing units have more than one person per room (4.0% of all households); 309 housing units have more than one and one-half persons per room (2.0% of all households). About two-thirds of these overcrowded units are renter-occupied. Overcrowded units are concentrated in Desert Hospital Area, where many older hotel rooms have been converted to low rent apartments, and the Desert Highland-Gateway Estates and Veteran's Tract areas, low and moderate income neighborhoods with median household sizes significantly higher than the City-wide figure.

AVERAGE HOUSING COSTS, 1980*

| JURISDICTION | RENTER-OCCUPIED MEDIAN RENT | OWNER OCCUPIED MEDIAN VALUE |
|-----------------------|--------------------------------|--------------------------------|
| Palm Springs | \$307 | \$102,200 |
| Desert Hot Springs | 243 | 57,100 |
| Cathedral City (Cove) | 231 | 71,000 |
| Rancho Mirage | 344 | 137,700 |
| Palm Desert | 329 | 92,100 |
| Indian Wells | 501 | 200,100 |
| La Quinta | 407 | 66,000 |
| Indio | 188 | 58,700 |
| Coachella | 155 | 41,800 |
| Unincorporated | 209 | 69,200 |

SUBSTANDARD DWELLING UNITS
IN THE COACHELLA VALLEY*

| Jurisdiction | Needing Rehabilitation | | Needing Replacement | |
|-----------------------------|---------------------------|--------|---------------------|--------|
| | Owner | Renter | Owner | Renter |
| Palm Springs | 36 | 211 | 25 | 64 |
| Desert Hot Springs | 53 | 133 | 4 | 4 |
| Rancho Mirage | 0 | 0 | 0 | 0 |
| Palm Desert | 0 | 4 | 0 | 9 |
| Indian Wells | 0 | 0 | 0 | 0 |
| Upper Valley Unincorporated | 106** | | 7** | |
| Indio | 35 | 310 | 10 | 96 |
| Coachella | 57 | 132 | 35 | 53 |
| Lower Valley unincorporated | 125** | | 5** | |
| City Totals | 181 | 790 | 74 | 207 |
| Valley Totals | 1096 | | 286 | |

* Source: The Southern California Association of Governments, Regional Housing Allocation Model 1978 (SCAG data was felt to be the best data available, however, there may be some problems with its accuracy. See "Condition of Housing response from the 1978 Special Census in the technical Supplement).

** 1978 Special Census Data. Due to the definition used by enumerators, the actual total may be somewhat higher.

HOUSEHOLDS NEEDING ASSISTANCE

From the following table, one can see that need is fairly well distributed throughout the Valley. The percentage of households needing assistance as compared with total households increases, though, in the western end of the valley due to the relatively higher housing costs there.

THE CONCEPT OF FAIR SHARE

Fair share is a plan which determines where housing, particularly low and moderate income units, should be built to expand housing opportunities. The Regional Housing Allocation Model (RHAM) prepared for the SCAG region determines existing housing need for each city and then allocates additional need or fair share to each community, according to three criteria:

1. Existing needs and availability of housing in the community and market area.
2. The community's suitability for additional low income households. (This factor is used to allocate lower income households closer to employment and to those cities best able to offer support services and facilities).
3. An equity factor concerned with spreading low and moderate income housing responsibilities throughout a region.

The RHAM presents an identification of housing needs; it does not set targets, assign responsibilities, nor define programs for meeting these needs. A jurisdiction's fair share is the number of additional low income households which ideally should have housing opportunities within the jurisdiction in order to further the goal of equity throughout the region.

It is the intent of the Palm Springs Housing Element to develop housing programs in keeping with this goal, and that fair share allocations be given special consideration as cities and the County attempt to respond to regional housing needs.

According to the RHAM, 6,154 Valley households required assistance in 1980 (i.e., they were living in overcrowded conditions or were paying over 25% of their income for housing), including 2,670 in Palm Springs. (This is illustrated on the Housing Need Analysis - Demand Table.) Of the City total, 552 are owners and 2,118 are renters. (See table for Households Needing Assistance.)

HOUSEHOLDS NEEDING ASSISTANCE*
FOR

| JURISDICTION | TOTAL | |
|---------------------------------|-------|--------|
| | Owner | Renter |
| Palm Springs | 552 | 2,118 |
| Desert Hot Springs | 243 | 404 |
| Rancho Mirage | 122 | 163 |
| Palm Desert | 254 | 510 |
| Indian Wells | 4 | 36 |
| Indio | 311 | 991 |
| Coachella | 154 | 292 |
| Riverside Co. Unincorporated | NA | NA |
| City Total | 1640 | 4514 |
| Valley Total | NA | NA |

MEETING PRESENT AND FUTURE HOUSING NEEDS

The private market is anticipated to address the valley's expected seasonal household formation with the exception of the Lower Valley migratory farm workers. These workers live in the Valley in the spring, summer and autumn months, with the migratory population reaching 5,000 during the peak of the harvest season.

However, unless the private market shifts from its emphasis on resort-oriented developments and large single family homes, the low, moderate and middle income permanent residents will continue to need an active local housing program. The Coachella Valley, as a rapidly growing area, must meet both its current and future housing needs. Therefore, area cities, especially those in the western end of the Valley, should make every effort to meet their fair share responsibilities given individual political and economic constraints. Such efforts will lead to a more balanced environment for the region, since low income housing will no longer be concentrated within a few cities. Concentration and isolation of low income persons often requires that people to travel long distances to jobs, shopping, medical facilities and schools. If the lack of a low income employment base persists, a city's economy can be damaged as employees relocate closer to their source of workforce. It is the intent of this housing element to help address housing need as a regional problem, solved by regional cooperation.

Several recent national, state, regional and local housing studies yield definitions of housing problems too numerous to mention fully in this report. Included in the following section are the more significant local and regional barriers to successful achievement of the expressed goals and policies. The following section lists constraints that exist for the City of Palm Springs, as well as those that exist within the Coachella Valley housing market area.

ENERGY CONSERVATION

Over the past decade, the rapid rise in the costs of traditional fossil fuels has created keen interest in innovative alternative energy sources and in conservation. Interest in conservation and the use of alternative energy sources has been especially high in Palm Springs and the surrounding desert communities due to the high energy usage during the extremely hot summer months, it is not unusual for individual household energy costs to soar to triple or quadruple that of the other months of the year. These high summer energy costs have encouraged the installation by property owners of evaporative cooling systems and solar pool and hot water heating. These efforts have been assisted through the availability of State and Federal tax credits for energy conservation. Many households have also installed other conservation improvements, such as increased insulation and weatherstripping, through the use of conservation grants rebates and interest loans from local utilities and the County Housing Authority. The City participates in the county programs through the contribution of a portion of its Community Development Block Grant Allocation.

The City has been very active in its efforts to assist energy efficiency. The Energy Commission and Energy Division, both established a few years back, have prepared an Energy Element to the City General Plan. This element has since been adopted by the City Council, thus providing the enabling legislation for a myriad of energy projects currently in progress or planned.

The City Energy Division is currently administering an energy conservation interest program using a grant from Southern California Edison (SCE) and local matching funds. This program provides information to low income families on grants available from SCE as well as assisting in the preparation and processing of grant applications; the City also waives permit and inspection fees for these grant recipients. Over 150 rental and owner-occupied units in all parts of upper Coachella Valley have been assisted through the program.

The major City buildings currently have an energy management system and construction should begin shortly on cogeneration facilities at City Hall and the City recreation complex. These efforts have reduced and will further lessen the City's energy demands thus reducing the pressure for increases in conventional energy costs. The cogeneration facilities will provide the City with substantial revenues for use in programs assisting individual property owners and tenants with energy efficiency programs.

Another major project currently underway is the implementation of the Municipal Solar Utility adopted last year. This program would provide a mechanism for the rental of solar energy equipment to individual. The individual could take advantage of the substantial energy cost savings from such equipment, including utilization of tax credits, without a heavy up front purchase cost.

It is expected that as the opportunities arise, the City will pursue additional energy efficiency programs benefiting the various segments of the local community.

OBSTACLES

AND

CONSTRAINTS

POLITICAL AND INSTITUTIONAL CONSTRAINTSA. INADEQUATE POLITICAL SUPPORT FOR PUBLIC HOUSING AND SUBSIDY PROGRAMS

Historically, Federal and State agencies, financial institutions and developers have worked together to provide housing. Local government's role and involvement has been minimal. When faced with inflation, unemployment, discrimination, poverty, high financing costs and a less than sympathetic general public, local elected officials are hard pressed to identify and implement suitable housing programs aimed at meeting the needs of low and moderate income families. Faced with budget limitations, due to past tax initiatives, local officials may view the provision of low and moderate income housing as even less politically feasible than in the recent past.

B. LACK OF COORDINATED HOUSING PLANS AND POLICIES

Local government has reacted to private market forces, rather than providing leadership in conserving and expanding the housing stock. Federal, State, Regional and local government agencies have not been effective in coordinating housing efforts and insuring that each community makes a good faith effort to meet its fair share allocation, and there is little support for regional authority to implement region wide policy in housing or to intercede in local government housing efforts. A great deal of work is duplicated and not enough effort is provided to leverage the small amount of funding available. To avoid duplication of effort and provide the greatest leveraging of funds possible, State, Federal and local programs require greater coordination than is presently the case.

C. REFERENDUM REQUIREMENTS

Article 34 of the California Constitution requires local governments to obtain voter approval before developing, constructing or acquiring low rent housing projects. Often the excuse for inaction, Article 34 requirements have inhibited public housing program efficiencies in California cities since 1950. With the exception of Indian Wells and Rancho Mirage, in the Upper Valley and Mecca, in the Lower Valley all jurisdictions within the Coachella Valley now possess Article 34 referendum authority. The City of Palm Springs has authority to develop housing for low and moderate income families, the elderly, and the handicapped. This authorization is limited to five percent (5%) of the total housing stock.

D. CONFLICTING RESPONSIBILITIES OF LOCAL GOVERNMENT AGENCIES

Facilitating the development of low and moderate income housing is only one of many services for which local governments are responsible. A community must also plan for environmental quality, neighborhood character, growth management, and other concerns of current residents which often work at cross purposes with the provision of low income housing. Public officials are therefore often faced with situations where a trade-off must be made between conflicting needs.

E. MYTHS REGARDING ASSISTED HOUSING

There are many misconceptions about low and moderate housing. Assisted housing projects are often thought of as blighted high density rental units. Assisted housing has also been associated with concentrations of disadvantaged persons, and high crime rates and areas of social need. Changing these widely held views requires an extensive public information and education program.

F. DEVELOPMENT STANDARDS

Land use and building restrictions often act to exclude low and moderate income housing. Minimum lot size requirements, minimum building size requirements, certain building code provisions, development fees, and other development standards can raise the price of developing new housing. This may deny access to low and moderate income families. Even where zoning allows higher densities, local preference for more open space and larger unit sizes reduce the density.

G. SHIFTING STATE AND FEDERAL PRIORITIES AND COMMITMENTS

Federal emphasis on housing policies and funding change with different administrations and political priorities. This affects the flow of funding to various programs resulting in a lack of continuity and stability in Federal housing programs. Under the current administration, funding for housing and other domestic programs has been sharply cut back. Similarly, State legislation often mandates housing responsibilities for local governments without allocating sufficient funding for program implementation.

H. EXCESSIVE ADMINISTRATIVE COSTS

Federal and State housing programs are often insufficiently coordinated; various applications contain requirements for similar data which must be presented in different formats, resulting in a duplication effort on the part of local staff. Paper work, administrative detail, and excessive regulations become onerous and many of the dollars which could be used to provide housing support are instead spent on staff time, progress reports and other processes associated with administering housing programs.

I. ETHNIC AND ECONOMIC BIAS

Housing discrimination has assigned segments of the population to areas lacking public facilities and financial resources necessary to respond to social and economic problems of these concentrated poverty areas. Unfortunately, community attitudes perceive that provision of low income housing generates neighborhood instability, juvenile delinquency, deterioration of property value and racial tension. These attitudes inhibit constructive, objective discussion of community needs. Though fair housing laws which prohibit discrimination on the basis of race, color, religion or national origin are contained in the 1959 Unruh Civil Rights Act and the 1963 Rumford Act, enforcement has been minimal and violations difficult to prove.

J. FRAGMENTED APPROVAL AUTHORITY

Federal and State housing assistance and subsidy agencies lack effective, regionalized administration and approval granting authority. Applications for financial assistance are submitted, reviewed and temporarily approved by local agencies, but final approval takes weeks, even months, from Sacramento or Washington. Consequently, planning, reviewing, approving and eventually implementing programs raise costs. Local governments, armed with traditional tools of zoning and development regulation, pace the timing and location of housing. However, local government cannot guarantee federal subsidies. The Federal government, by virtue of its jurisdiction and responsibility, is the only agency which can successfully carry out ongoing subsidized housing programs.

ECONOMIC CONSTRAINTSA. HOUSING COSTS

The costs of new construction have generally precluded the development of non-subsidized low-income housing. Low income households have therefore traditionally relied for shelter on those areas or units left behind by middle and upper income families who moved into new neighborhoods. In the last ten years, though, the total development costs have risen sharply due in large part to higher interest rates, stricter development standards, and the increasing scarcity of developable land. The higher interest rates dramatically increased the developer carrying costs during construction and sale/rental of property. Stricter development standards and the increasing scarcity of land have raised the site costs per unit, encouraging the development of larger, more expensive units to maintain the developer's profit margin. Higher densities would counteract the increased per unit site costs, but such increases usually run counter to pressure from residents of existing low density development and from environmental concerns.

HOUSEHOLDS ABLE TO
PURCHASE HOUSING

| PRICE OF UNIT | APPROXIMATE ANNUAL EXPENDITURE REQUIRED* | REQUIRED INCOME** | % OF PALM SPRINGS HOUSHOLDS WITH REQUIRED INCOME |
|------------------|------------------------------------------------|----------------------|--------------------------------------------------------|
| \$50,000 | \$ 7,223 | \$21,669 | 38% |
| 75,000 | 10,836 | 32,508 | 22% |
| 100,000 | 14,446 | 43,338 | 13% |
| 125,000 | 10,059 | 54,177 | 9% |
| 150,000 | 21,670 | 65,010 | 6% |
| 102,200*** | 14,767 | 44,301 | 12% |
| 56,200**** | 8,277 | 24,832 | 32% |

* Mortgage characteristics used were 10 percent down, 13 percent interest, 30 year term. Also includes property taxes, figured at 1 percent of property value, insurance, figured at 1 percent of structure value (75% of property value), and maintenance, figured at 1 percent of structure value.

** Calculated as three times annual housing expenditures. Although national policy dictates that lower income households should not pay more than 30% of their income for housing, lenders generally qualify loans to middle and upper-income households with housing costs (excluding maintenance) above this benchmark.

SOURCE: 1980 Census

*** Average home value.

**** Average household income.

FUTURE HOUSING NEEDS

| Jurisdiction | Population Projections* | | | | | | Expected Household Formation | | | | |
|--------------------|-------------------------|-------------------|---------|--------|------------------|---------|------------------------------|-------------------|------------------|------------------|-----------------------|
| | 1980 | Permanent 1985 | 1990 | 1980 | Seasonal 1985 | 1990 | Permanent 1980 | Permanent 1985 | Seasonal 1980 | Seasonal 1985 | Fair Share 1983 |
| | | | | | | | | | | | |
| Palm Springs | 32,366 | 40,238 | 47,720 | 36,574 | 45,469 | 53,923 | 746 | 709 | 843 | 801 | 262 |
| Desert Hot Springs | 5,941 | 8,750 | 11,859 | 5,268 | 7,788 | 10,516 | 254 | 281 | 226 | 250 | 7 |
| Rancho Mirage | 6,287 | 9,462 | 13,055 | 4,334 | 6,479 | 9,008 | 248 | 280 | 171 | 193 | 155 |
| Palm Desert | 11,801 | 16,321 | 21,049 | 4,366 | 6,039 | 7,788 | 402 | 420 | 149 | 155 | 49 |
| Indian Wells | 1,394 | 1,888 | 2,395 | 1,338 | 1,812 | 2,299 | 44 | 45 | 42 | 43 | 22 |
| Unincorporated | 20,321 | 22,447 | 24,265 | 7,112 | 7,856 | 8,493 | 186 | 159 | 65 | 56 | NA |
| Upper Valley | | | | | | | | | | | |
| Indio | 21,611 | 26,420 | 29,732 | 4,106 | 5,020 | 5,649 | 295 | 203 | 56 | 39 | 475 |
| Coachella | 9,129 | 9,543 | 9,794 | 0 | 0 | 0 | 20 | 12 | 0 | 0 | 73 |
| Unincorporated | 16,885 | 17,563 | 17,971 | 7,261 | 7,552 | 7,728 | 36 | 22 | 15 | 9 | NA |
| Lower Valley | | | | | | | | | | | |
| TOTAL | 125,729 | 152,641 | 177,840 | 70,354 | 88,055 | 105,443 | 2,231 | 2,131 | 1,567 | 1,546 | 1,079 |

* These projections are based on continuance of existing city boundaries. Annexations will decrease the population projections for the County unincorporated area. For population projections from 1980-2000, see Appendix.

CALIFORNIA SAMPLE MONTHLY HOMEOWNERSHIP COST SCHEDULE

| (1) Year | (2) Average Sales Price | (3) Effective Interest Rate | (4) Loan Amount | Principal Interest | (5) Taxes | (6) Insurance | (7) Total |
|-------------|-------------------------------|-----------------------------------|-----------------------|-----------------------|--------------|------------------|--------------|
| 1970 | 36,536 | 8.54% | 29,229 | 225.57 | 76.12 | 8.40 | 310.09 |
| 1971 | 36,375 | 7.69% | 29,100 | 207.19 | 75.78 | 8.37 | 291.34 |
| 1972 | 37,764 | 7.55% | 30,211 | 212.21 | 78.68 | 8.69 | 299.58 |
| 1973 | 40,961 | 8.92% | 32,769 | 261.86 | 85.34 | 9.42 | 356.62 |
| 1974 | 48,519 | 10.17% | 38,815 | 345.62 | 101.08 | 11.16 | 457.86 |
| 1975 | 54,132 | 9.53% | 43,306 | 365.20 | 112.78 | 12.45 | 490.43 |
| 1976 | 62,392 | 9.41% | 49,914 | 416.43 | 129.98 | 14.35 | 560.76 |
| 1977 | 74,621 | 9.34% | 59,696 | 494.86 | 155.46 | 17.16 | 667.48 |
| 1978 | 90,284 | 10.18% | 72,227 | 643.66 | 188.09 | 20.76 | 852.51 |
| 1979 | 101,411 | 12.19% | 81,128 | 846.39 | 92.96 | 23.32 | 962.67 |
| 1980 | 109,000 | 14.11% | 87,200 | 1,040.81 | 99.92 | 25.07 | 1,165.80 |
| 1981 | 109,500 | 16.24% | 87,600 | 1,194.98 | 100.38 | 25.19 | 1,320.55 |
| 1982 | 126,800 | 13.35% | 101,440 | 1,150.09 | 116.23 | 29.16 | 1,295.48 |
| 1983 | 129,700 | 12.01% | 103,760 | 1,067.91 | 118.89 | 29.83 | 1,216.63 |

(1) 4th Quarter.

(2) Average of new and exiting attached and detached homes for which conventional loans were closed.

(3) Contract rate plus initial fees and charges amortized over the first 10 years.

(4) 80 percent of average sales price.

(5) 2.5 % of average sales price 1970-78; 1.1% of average sales price 1979-83.

(6) \$2.76 per \$1,000 of average sales price.

B. RESTRICTIVE CONVENTIONAL LOAN ELIGIBILITY CRITERIA

Conventional financing institutions are reluctant to finance mortgages for housing in deteriorating neighborhoods. Due to housing market economics, households with limited income or with poor credit ratings, renters of older housing units, young families, the elderly and agricultural farm workers often find affordable housing only in low rent, aging and often deteriorating neighborhoods. Consequently, attempts to secure mortgage credit for these persons, while difficult under income criteria, becomes nearly impossible when locational criteria are added to the equation of financial risk. This problem is exacerbated by the fact that even if the loan can be secured, many lower income families are unable to produce a sufficient down payment to enable them to purchase the home.

C. LABOR INTENSIVE NATURE OF HOUSING REHABILITATION

Rehabilitation and remodeling older units does not lend itself to labor or cost savings. Rather, these activities are high cost, high risk endeavors. Consequently, financing is difficult and preservation of existing housing stock limited.

D. INADEQUATE MAINTENANCE OF RENTAL UNITS

Many rental units are improperly or inadequately maintained, and tenant /landlord relationships are unclear and often antagonistic. For much of the last 20 years, the increase in rents has lagged behind the cost of living increases, often forcing landlords to defer needed repairs due to insufficient cash flow from apartments. Also, the growth of rental property as a tax shelter has led to short-term investment for tax purposes solely; in order to maximize short range investment and tax reduction goals, the wellbeing of the property and effect on the surrounding neighborhood are often ignored or overlooked. Rehabilitation activity must be initiated by the private owner. Cities, with the passage of recent tax limitation initiatives, have become more limited in the use of capital improvements funding to assist in improving deteriorating neighborhoods.

E. BUILDING SPECULATION

Many homes or apartment buildings are purchased by persons who buy for the purpose of speculation. Speculation also occurs with vacant land; the speculator purchases it, not to develop it, but merely to hold it and raise the price. In recent years, speculative investing has been common in the Coachella Valley, inducing higher resale costs, thereby adding to escalating housing prices and reducing low and moderate income housing availability. The rising popularity of rental property as a tax shelter has inflated property values beyond their income investment value since the primary consideration is tax reduction, not long term investment value. Rents are often raised substantially to meet the new carrying costs of the property rather than establishing sales price on current rental income.

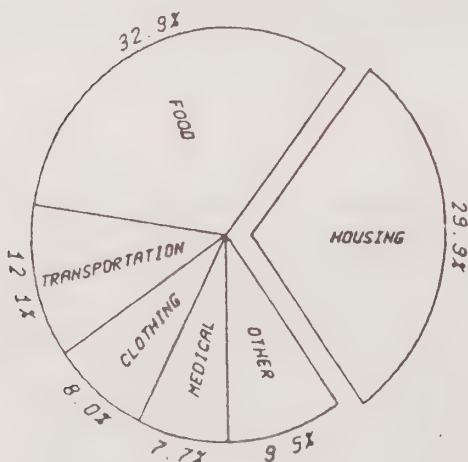
Home Prices and Mortgage Payments.

Based on data collected by the Federal Home Loan Bank Board, the average selling price of single-family homes in California reached \$129,700 in the fourth quarter of 1983. The national average was \$85,700. The monthly principal and interest payment on the average California home was \$1,068. (This assumes a fixed-rate conventional loan equal to 80 percent of the purchase price, amortized for 30 years, at the 12.01 percent effective mortgage rate that prevailed on loans closed in the fourth quarter of 1983).

To gauge the actual burden, it is necessary to examine the after-tax payment. The first month's payment includes interest amounting to \$1,033. Since that interest is tax deductible, the after-tax monthly payment ranges from approximately \$801 for a family in the 20 percent tax bracket to \$510 for a family in the 50 percent tax bracket. Therefore, the tax consequences are very important in the home buying decision.

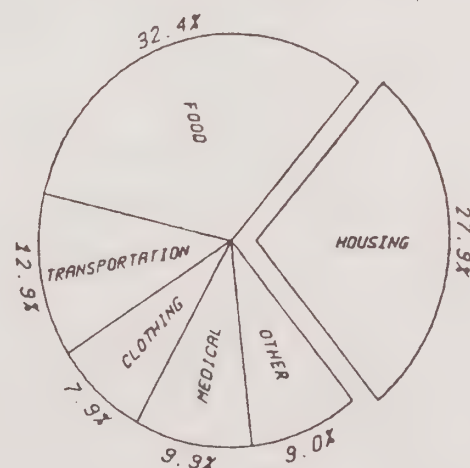
By comparison, in 1970, the average after-tax monthly payments for families in the 20 percent tax bracket would have been \$184, and for families in the 50 percent tax bracket, it would have been \$121. The average home price then was \$35,600 and the prevailing interest rate was 8.85 percent. In 1970, the California average home price was very close to the national average of \$35,500.

*U.S. 1979 CONSUMPTION EXPENDITURES
INTERMEDIATE INCOME URBAN FAMILY*



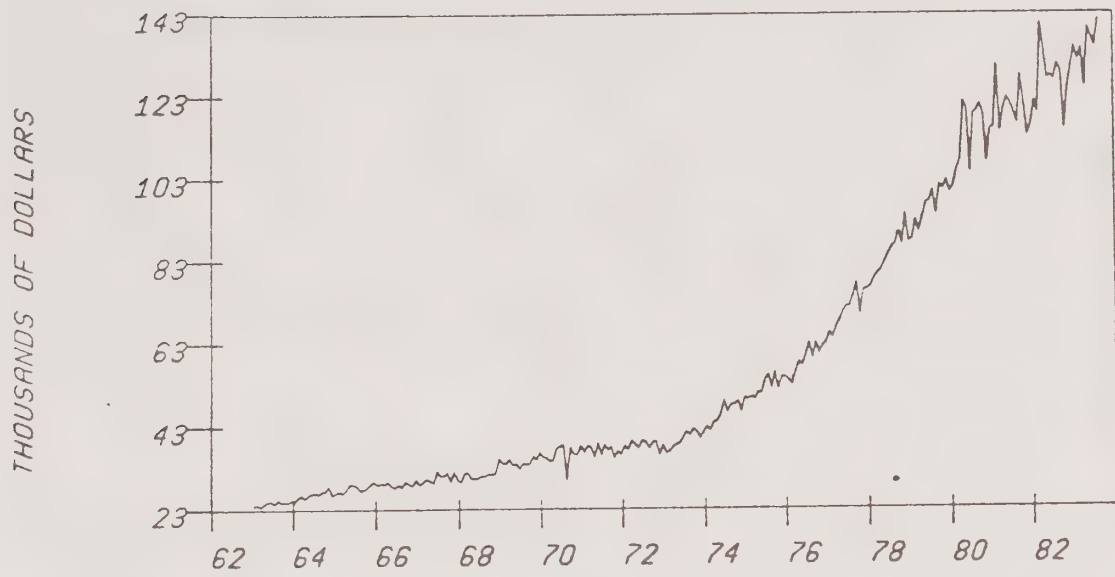
SOURCE: U.S. BUREAU OF LABOR STATISTICS

*LOS ANGELES COUNTY 1979 CONSUMPTION EXPENDITURES
INTERMEDIATE INCOME URBAN FAMILY*



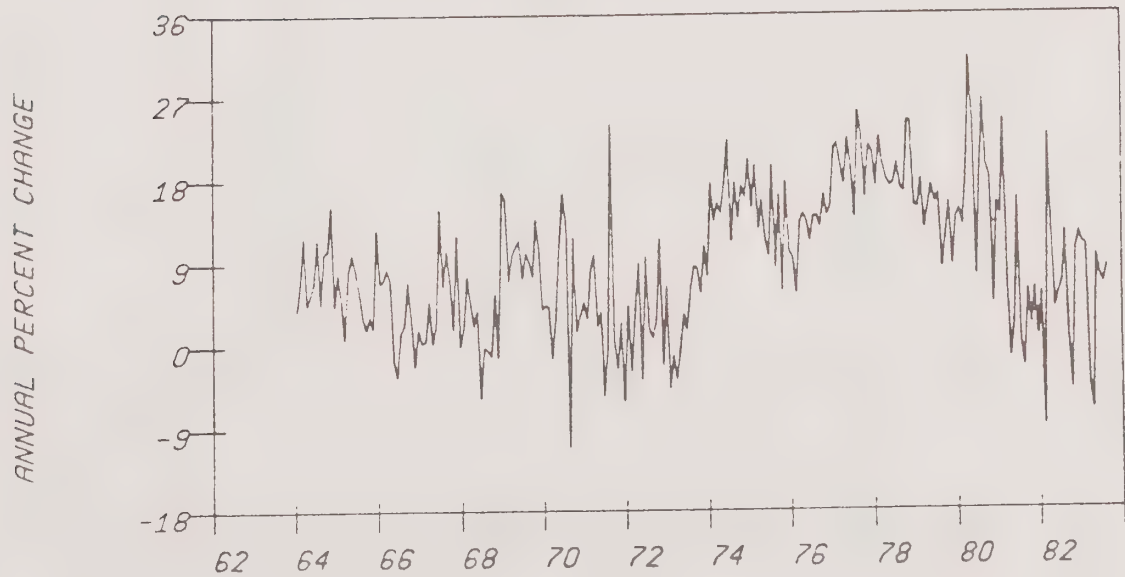
SOURCE: U.S. BUREAU OF LABOR STATISTICS

CALIFORNIA AVERAGE HOME PURCHASE PRICE
BASED ON CONVENTIONAL LOANS CLOSED



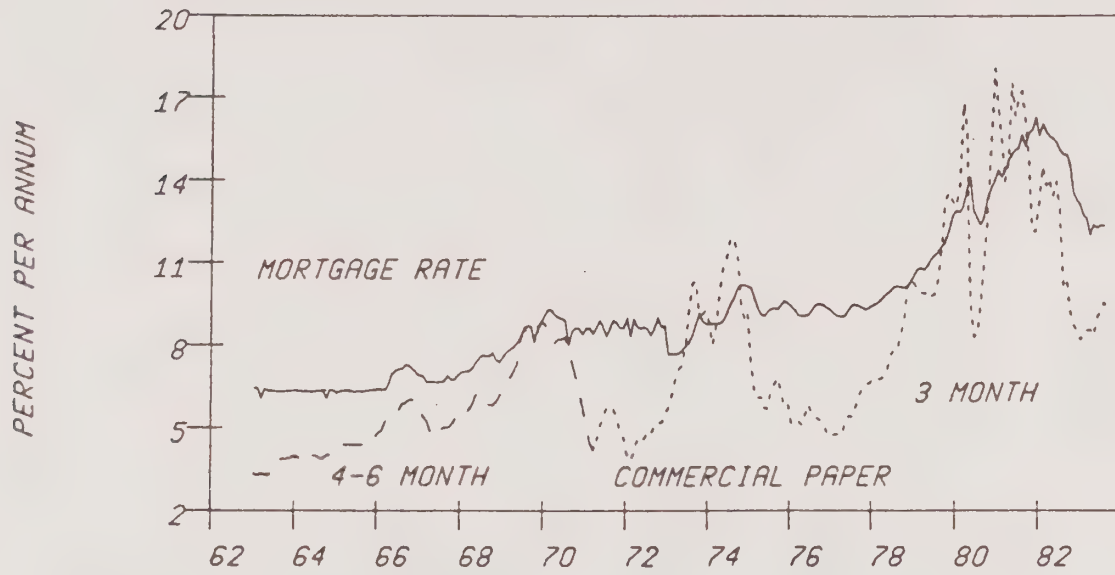
SRC:ECONOMICS DEPT., SECURITY PACIFIC NATIONAL BANK

CALIFORNIA HOME PRICE APPRECIATION RATES
BASED ON CONVENTIONAL LOANS CLOSED



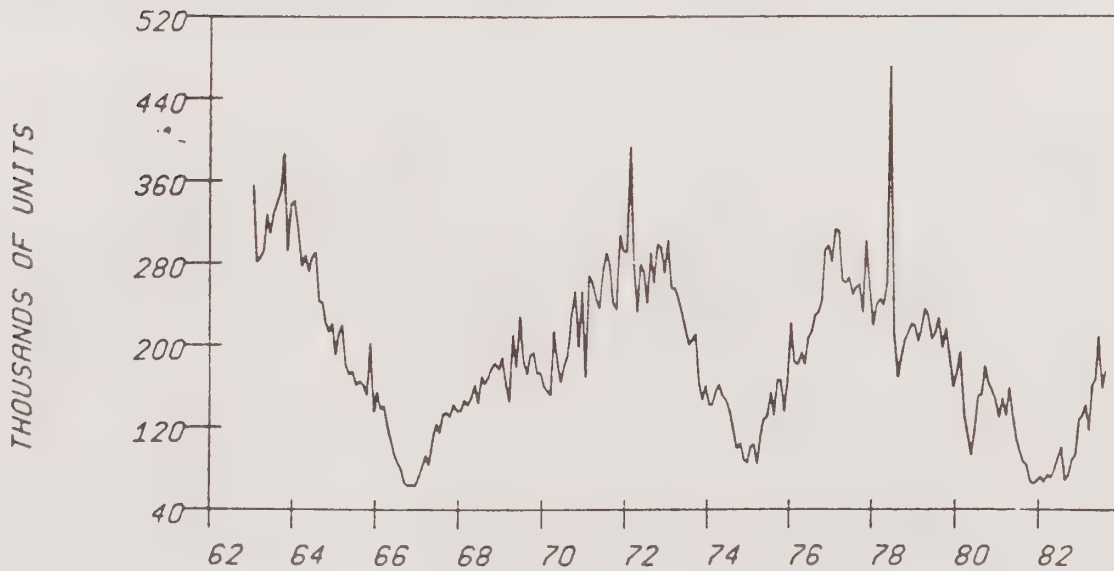
SRC:ECONOMICS DEPT., SECURITY PACIFIC NATIONAL BANK

CALIFORNIA EFFECTIVE HOME LOAN MORTGAGE RATE
VERSUS MONEY RATE FOR PRIME COMMERCIAL PAPER



SRC: SECURITY PACIFIC BANK, FHLBB, FEDERAL RESERVE

TOTAL HOUSING UNITS AUTHORIZED BY BUILDING PERMITS
IN CALIFORNIA; SEASONALLY ADJUSTED ANNUAL RATES



SRC: ECONOMICS DEPT., SECURITY PACIFIC NATIONAL BANK

May 1981

CHANGES IN SHARE OF MAJOR COST COMPONENTS
FOR A NEW SINGLE FAMILY HOUSE
STATE OF CALIFORNIA

| Cost Component | 1970 | | 1976 | | 1978 | | Percent Change 1970-1978 | 1980 (Approx.)** | | % Change (1970-1980) |
|---------------------|--------------|------------|--------------|------------|--------------|------------|-----------------------------|------------------|-------------|-------------------------|
| | Cost | % Distrib. | Cost | % Distrib. | Cost | % Distrib. | | Cost | % Distrib. | |
| Construction | | | | | | | | | | |
| Labor | \$ 6,560 | 20.9% | \$11,020 | 18.6% | \$12,900 | 17.2% | + 96.6% | \$14,850 | 15.5% | +126.4% |
| Materials | 11,020 | 35.1 | 17,980 | 30.4 | 21,600 | 28.8 | + 96.0 | 25,920 | 27.0% | +135.2% |
| Improved Land | 6,600 | 21.0 | 14,800 | 25.0 | 20,100 | 26.8 | +204.5 | 26,700 | 27.8% | +304.5% |
| Financing (Interim) | 2,040 | 6.5 | 5,000 | 8.5 | 7,200 | 9.6 | +252.9 | 11,530 | 12.0% | +465.2% |
| Overhead & Profit* | 3,770 | 12.0 | 7,400 | 12.5 | 9,300 | 12.4 | +146.7 | 12,200 | 12.7% | +223.6% |
| Other* | <u>1,410</u> | <u>4.5</u> | <u>2,900</u> | <u>4.9</u> | <u>3,800</u> | <u>5.1</u> | <u>+169.5</u> | <u>4,800</u> | <u>5.0%</u> | <u>+240.4%</u> |
| Total | \$31,400 | 100.0% | \$59,100 | 100.0% | \$74,900 | 100.0% | +138.5 | \$96,000 | 100.0% | +205.7% |

Note: The above relates to a 1,600 square foot home with the same site size in 1970 as in 1978. It shows what may be described as a composite for the state; wide variations in price and land costs will be found among specific communities.

* Overhead, profit and other costs are residual estimates remaining after determination of construction, land, financing and total costs.

** 1980 approximated by Construction Industry Research Board based on partial data.

Source: 1970 data and 1976 data estimated by Construction Industry Research Board based on survey of development projects. 1978 data estimated by Construction Industry Research Board.

G. COST OF LIVING

Catering primarily to the inflow of visitors and seasonal residents, the Valley employers of service and domestic workers are not matching higher living costs with proportionately higher wages. Regional wages are governed by factors other than local economies. Consequently, working families are required to provide housing for themselves at a disproportionately higher cost than in other areas or commute to work from lower cost areas. The Federal and State standard is that people should pay no more than 30 percent of their gross household income for all housing costs. Higher income households may choose to spend more than this percentage for housing and still afford the basic necessities. However, low income households are often forced to spend much higher proportions of their income for housing because housing is not available at the prices or rents which they can afford.

H. LIMITED FEDERAL AND STATE ASSISTANCE FOR HOUSING PROGRAMS

The City of Palm Springs, as well as other jurisdictions in the housing market area, cannot solve housing problems on their own. Funding must be made available through Federal and State assistance. A number of programs (listed in the technical supplement) offer a wide range of methods to assist in providing affordable housing, however, for the most part, this funding is limited and competition for available monies is rigorous. Recent tax limitations have seriously curtailed revenues that could be designated to assist in providing housing. In fact, less government involvement appears to be mandated for the future. Therefore, Federal and State assistance will be even more important as a resource for future funding. Unless the Federal and State money available for housing programs is increased significantly, cities in the Coachella Valley will be severely limited in addressing the region's housing needs, even with innovative and aggressive local programs.

I. LOW DENSITY PREFERENCE

Local governments generally prefer lower density developments to higher density developments due to design and traffic circulation advantages and servicing capacities of police, fire, ease of street and sewer access, recreational facilities, water, energy and other criteria. As land costs continue to soar in the Valley, it becomes increasingly more difficult for developers to construct moderately priced low density development and still realize a significant enough profit to make the project economically feasible.

PHYSICAL CONSTRAINTS

A. LACK OF LAND SUITABLE FOR DEVELOPMENT

Factors of wind and soil erosion, blowsand hazards, water supply, geologic or flood hazards and steep topography interact by decreasing the amount of developable land and increasing the cost of desirable lands. Large site availability for large, new subdivisions is diminishing.

B. CLIMATE

Due to the harsh climatic conditions which prevail during certain months in the Valley, cities often require developers to construct windbreaks, provide additional insulation or include other special features which in turn increases the cost of housing. Additionally, extremes of temperature in the summer months result in increased utility costs to Valley residents. Therefore, energy costs remain a major part of housing budgets in the Valley.

C. AGE OF HOUSING

Although the majority of housing units in Palm Springs are relatively new, approximately one-quarter of the units are 20 or more years old. At 20 years of age, structures begin to develop problems which can lead to serious deterioration if not corrected.

OTHER MARKET CONSTRAINTS

The Housing Element Manual suggests an examination of the major features which contribute to the sales price of rental cost of housing. These include the direct costs of: a) land; b) site improvement; c) community amenities; d) construction; and e) fees; and the indirect costs of: a) financing; b) sales and marketing; c) gross profit; d) property tax. These factors listed neglect the additional factor, the factor of time. Time delays generally cause increases in cost, particularly in the area of finance carrying costs, and the longer the time delay, the greater inflation contributes to higher capital costs. All the above factors contribute to housing costs, but differ in their importance relative to the particular circumstances of individual developments. (See table: Changes in Share of Major Cost Components for a Typical Single Family House). In review of low and moderate income housing proposals, the City of Palm Springs has a history of reviewing all components of cost. Each housing project has been evaluated on a case by case basis and appropriate assistance has been offered in some component cost or combination of component costs in an effort to make the projects feasible.

As the cost of housing increases disproportionately with average rise in incomes, assistance in several or all of the component costs of housing may be needed.

POTENTIAL CAPACITY FOR NEW RESIDENTIAL UNITS
BY ZONE AND SECTION # - MARCH, 1983

| SECTION # | R-1-A | R-1-B | R-1-C | R-1-D | R-G-A-6 | R-G-A-8 | R-2 | R-3 | R-4 | RTP | PD | GR5 | Total |
|------------|----------|--------|-----------|-------|---------|---------|-----------|-----------|-----------|-----|-------|-----|------------|
| 1 T5S R4E | - | - | 16 | - | - | - | - | - | - | - | - | - | 16 |
| 1 T4S R4E | - | - | 534 | - | - | 68 | - | - | - | - | - | - | 602 |
| 2 " | - | - | 266 | - | - | - | 466 | - | - | - | - | - | 1,212 |
| 3 " | 163 | 90 | 67 | - | 259+11 | - | 229+21 | 405 | - | - | 480 | - | 1,213+32 |
| 4 " | 300 | - | - | - | - | - | - | - | - | - | - | - | 300 |
| 10 " | 95+9 | 21 | 1 | - | - | - | 54+11 | 42+6 | - | - | - | - | 213+26 |
| 11 " | 7+34 | 21+19 | 50+75 | - | - | - | 91+12 | 58 | - | - | - | 62 | 289+140 |
| 12 " | - | - | 132 | - | 58 | - | - | - | - | - | - | - | 190 |
| 13 " | 16+12 | - | 20+3 | - | - | - | 582 | - | - | - | - | - | 618+15 |
| 14 " | - | - | - | - | - | 340 | 75 | - | 4,520+292 | - | - | - | 4,935+292 |
| 15 " | 94 | - | - | - | - | - | 49+23 | +162 | - | - | - | - | 143+185 |
| 18 T4S R5E | - | - | - | - | - | - | 60 | - | - | - | - | - | 60 |
| 19 " | 17 | - | 422 | 22 | - | - | 83+2 | - | - | - | - | - | 544+2 |
| 20 " | - | - | - | - | 51 | - | - | - | - | - | - | - | 51 |
| 22 T4S R4E | 343 | - | - | - | - | - | 73 | 817 | - | - | - | - | 1,233 |
| 23 " | - | - | 36+20 | - | - | 24 | 120+68 | 119 | - | 14 | - | - | 313+88 |
| 24 " | - | - | 813 | - | - | - | - | 433 | - | - | - | - | 1,246 |
| 25 " | 214 | 136 | - | - | 144 | 292 | - | 429 | - | - | - | - | 1,163 |
| 26 " | - | - | 50 | - | - | - | 52 | 227 | - | 18 | - | - | 347 |
| 27 " | 32 | 49+3 | 44+34 | - | - | - | 128 | - | - | - | - | - | 253+37 |
| 28 T4S R5E | - | - | - | - | - | - | - | - | - | - | 204 | - | 204 |
| 29 " | - | - | 38 | - | - | - | - | 162 | - | - | - | - | 200 |
| 30 " | - | - | 56 | - | 266 | - | - | 281 | - | - | - | - | 603 |
| 33 T3S R4E | 142 | - | - | - | - | - | - | - | - | - | - | - | 142 |
| 34 " | - | - | 398 | 58 | 37 | - | 202 | - | - | - | - | - | 658 |
| 34 T4S R4E | 375 | - | - | - | - | - | - | - | - | - | - | - | 375 |
| 35 " | - | 563 | 2 | - | - | - | 125 | - | - | - | - | - | 690 |
| 35 T3S R4E | - | - | - | - | - | - | - | - | - | - | 594 | - | 594 |
| Total City | 1,798+55 | 880+22 | 2,945+132 | 80 | 815+11 | 724 | 2,389+137 | 2,973+168 | 4,520+292 | 32 | 1,278 | 62 | 18,496+817 |

THE
HOUSING
PROGRAM

GOAL

The goals which are listed below serve the very important function of expressing community-wide hopes and aspirations for housing in Palm Springs. Corresponding policies, which may be viewed as a commitment to action, further interpret these broad goal statements into meaningful directions for public efforts.

1. To develop in accordance with density, building and environmental standards, new affordable housing to expand housing opportunities in the City.
2. To coordinate City housing programs and efforts with county, State and Federal governmental agencies, private industry and community groups.
3. To provide a range of housing types to meet the needs and maintain the quality and diversity of the City's residential neighborhoods.
4. To provide special types of housing for groups of people with particular needs, including the aged and handicapped.
5. To upgrade deteriorating housing in viable residential neighborhoods and prevent further deterioration in order to provide decent safe and sanitary conditions.
6. To support efforts to eliminate discrimination in housing with regard to race, color, religion, national origin, sex, age, or family status, to assure equal opportunity in housing to all groups.
7. To encourage citizen participation in planning and programming of housing policy and public improvements.

Meeting these goals will require firm and ongoing commitment within the limitations of the various political, economic, and physical constraints and priorities. The following section further refines the generalized goals into specific actions to be pursued for the development of a Housing Program.

NOTE: Those programs which are denoted with an asterisk (*) indicate those programs which are currently in progress. Additionally, priority has been given to programs which are directly effective in benefiting persons of low and moderate income.

GOAL

1. To develop in accordance with density, building and environmental standards, new affordable housing to expand housing opportunities in the City.

POLICY

To expand housing opportunities for all economic segments of the community, the City of Palm Springs will continue to review the available Federal and State housing assistance programs and funding sources and participate in those which are appropriate for the community. Because available funds are limited, it is important to make strong commitments to participate in these programs and compete for available funds.

To facilitate the development of low and moderate income housing the City of Palm Springs should actively assist private developers by providing incentives, both financial and non-financial, which reduce the cost of construction.

To maximize the effectiveness of Federal, State, and local housing programs, such programs should be coordinated.

OBJECTIVE A

Provide financial incentives, where appropriate, to qualified low and moderate income housing units in order to lower development and/or rehabilitation costs and thereby improve project feasibility. The City of Palm Springs shall implement these incentives through the following programs:

- *1. Utilize Community Development Block Grant funds to finance activities related to construction of low and moderate income housing, such as land acquisition, site clearance, and the provision of public improvements. Block Grant funds can also be used to provide loans and grants to rehabilitate existing homes and apartment complexes (See Appendices A, B, C)
- *2. Assist cooperative housing efforts on the part of non-profit corporations through land write-downs, zoning changes, reduced costs for providing services such as sewer and infrastructure, etc.
- *3. Engage in a Land-Banking and/or Land Write-down Program. Since the cost of the land substantially contributes to the cost of housing, low and moderate income housing could be constructed on land acquired by the City through a Land Banking Program. Land Banking will give a local jurisdiction greater control over the location, timing, cost and nature of development. Land Banking can provide the community with a hedge against the soaring cost of land. Land Write-downs (reducing the price of land below current market value) lower both the cost of land to the developer and the cost of financing to the purchaser. This method can also include leasing land to developers for the development of housing for low and moderate income persons. (See Appendix A)
- *4. Seek to provide financial and non-financial resources and financial profit limitations where possible and appropriate, to facilitate the economic feasibility and general fulfillment of the stated housing goals.

Anticipated Result: The increased production and retention of low and moderate income housing affordable to those earning below 120% of median income.

Responsible Agency: Community Development Department.

Funding: Community Development Block Grant and other Federal funds; State funds; General fund; Redevelopment Setaside funds.

Schedule: On-going.

- *5. Utilize tax exempt mortgage bonds to provide low interest rate financing for new construction and rehabilitation of owner-occupied housing. These mortgages would be targeted to low and moderate income households. (See Appendices A, C)

Anticipated Result: Increased owner occupied housing among low and moderate income households.

Responsible Agency: Community Development Department, Economic Development & Housing Division.

Funding: Local or State tax-exempt mortgage bonds.

Schedule: Fiscal Year 1984-85 to Fiscal Year 1988-89

6. Utilize tax exempt bonds if legally permissible to provide low interest rate financing for new construction and rehabilitation of renter-occupied housing. A minimum of 20% of the units assisted by such financing would be targeted to lower income households; the balance of such units would be targeted to moderate and middle income households.

Anticipated Result: Increased supply of affordable rental housing for low and moderate income households.

Responsible Agency: Community Development Department, Economic Development & Housing Division; Redevelopment Agency.

Funding: Local or state tax-exempt bonds.

Schedule: Fiscal year 1984-84 to Fiscal Year 1988-89.

OBJECTIVE B

Provide non-financial or indirect financial incentives, where appropriate, to qualified low and moderate income housing projects in order to lower development costs. The City of Palm Springs shall implement these incentives through the following programs:

- *1. Prioritize permit procedures and reviews, where possible and appropriate, for projects containing at least 20% low and moderate income housing to reduce delays and minimize approval times. Delays cost money,

and this additional expense is passed on to consumers through higher housing prices and rents.

- *2. Provide density bonuses or other appropriate incentives to developers providing townhouses, apartments and homes affordable to low- and moderate-income households, while maintaining building, police and fire safety features. (See Appendices A, C)
- *3. Require control mechanisms in exchange for a density bonus which would guarantee the initial and ongoing affordability of housing constructed under density bonus provisions. In addition to a controlled price, owner occupancy of for-sale units shall be required. (See Appendix C)
- *4. Review and evaluate aesthetic, architectural, and landscape requirements, preference for large lot sizes and large dwelling units that may be inappropriate for projects specifically designed for low and moderate income to allow innovations that reduce costs while maintaining a quality living environment.

Anticipated Results: The increased production of low and moderate income housing serving the needs of persons earning below 120% of median income.

Responsible Agency: Community Development Department.

Funding: Department Budget.

Schedule: On-going.

OBJECTIVE C

The City of Palm Springs shall expand housing opportunities for all economic segments of the community through the following programs:

- *1. Provide a mixture of residential densities throughout the community, through its General Plan efforts.
- *2. Encourage the design of innovative residential planned development which offers a variety of building types and lifestyles. (See Appendix C)
- *3. Consider location of subsidized housing development within any zone in the City. This consideration could be granted if the location would meet site, neighborhood, design criteria and consistency with other City plans.

Anticipated Results: Expanded housing opportunities for all economic segments of the community.

Responsible Agency: Community Development Department.

Funding: Department Budget.

Schedule: On-going.

OBJECTIVE D

The City of Palm Springs shall also implement the following programs to help meet the needs of low and moderate income persons:

- *1. Encourage participation in Federal rental assistance programs, in co-operation with the County Housing Authority, and provide information about Section 8 rental assistance programs and the Section 202 Direct Loans for Elderly and Handicapped housing to developers, apartment owners and managers, and private non-profit sponsors.
 - Anticipated Results: Expanded housing opportunities for all economic segments of the community.
 - Responsible Agencies: Community Development Department, Housing Division; County Housing Authority.
 - Funding: Federal Rental Programs; Department Budget
 - Schedule: On-going.
2. Not impede the development of low and moderate income housing through any Growth Limitation Programs adopted. Priority rating shall be awarded to projects benefiting low and moderate income persons, provided these projects are responsive to specifically identified housing needs.
 - Anticipated Results: Insure continued production of low and moderate income housing to meet the needs of persons earning less than 120% of median income.
 - Responsible Agency: Community Development Department, Housing Division and Planning Division.
 - Funding: Department Budget.
 - Schedule: On-going.
- *3. Establish criteria for selecting appropriate sites on which developers of low and moderate income housing is to be encouraged, and by which the suitability of the site can be evaluated. The following should be considered:
 1. Distance from schools, health care facilities, utilities such as water, sewer, gas and electricity, and services such as police and fire protection.
 2. Proximity to other existing subsidized housing projects. Concentration of subsidized projects in impacted areas will be discouraged.
 3. The stability of a neighborhood and community acceptance.
 4. The supply and demand for rental housing in the area.
 5. Consistency with the City's General Plan and zoning.
 6. Absence of negative environmental conditions such as noise, traffic, flood or blowsand hazards, seismic activity, etc.

Anticipated Results: Encouragement of low and moderate income housing appropriate to City needs and the needs of persons earning less than 120% of median income.

Responsible Agency: Community Development Department, Housing Division, Planning Division.

Funding: Department Budget.

Schedule: Fiscal Year 1984-85

- *4. Continue to work with its State and Federal legislative representatives to urge that regulations controlling financing and construction of housing for persons in desperate need of housing assistance and subsidy programs, be eased.

Anticipated Results: Increased production of low-income housing

Responsible Agency: Community Development Department, Housing Division

Funding: Department Budget

Schedule: On-going.

5. Evaluate all proposed design of building and spatial configuration to insure defensible space,** whereby the design is sufficiently sensitive to integrate positive behavioral attitudes and social relationships.

Anticipated Results: Safer residential environment.

Responsible Agency: Community Development Department, Planning Division.

Funding: Department Budget.

Schedule: On-going.

** An area where there is significant increase for the potential of surveillance, thereby decreasing the actual and perceived potential for crime and other negative behavior.

GOAL

2. To coordinate City housing programs and efforts with County, State and Federal government agencies, private industry and community groups.

POLICY

The City of Palm Springs should take responsibility for meeting its fair share of the regionally identified need. The City has committed to address a minimum of three percent (3%) of the fair share new construction and rehabilitation need on an annual basis in its Housing Assistance Plan. The three percent (3%) figure should produce a total of 400 households during a five-year program. This figure is consistent with the goals contained in the Southern California Association of Governments Area Wide Housing Opportunity Plan.

OBJECTIVE A

Cooperate with Regional, State and Federal agencies to fully utilize all available programs in order to achieve the City's fair share of low and moderate income housing.

The City of Palm Springs shall address its fair share goal through the following programs:

- *1. Attempt to merge housing programs in conjunction with other Valley cities and the County to provide a variety of leveraging opportunities. Successful and desirable involvement in regional programs can lead to a more cost-effective mechanism through centralized administration, increased program options, and economies of scale.
- *2. Continue to monitor Federal and State Housing laws, policies, mandates and judicial decisions for their possible application.
- *3. Continue to work through the Coachella Valley Association of Governments to develop mutually supportive Housing Elements, to address housing as a regional problem with regional solutions.
- *4. Plan for low and moderate income housing in the City's spheres-of-influence in conjunction with county planning staff. However, the sphere-of-influence area should not be the primary choice for the City in selecting low income housing sites, as many of the needed services, jobs, and amenities are located in the central city areas.
- *5. Cooperate with regional, State and Federal agencies to fully utilize all available programs in order to achieve the City's fair share of low and moderate income housing.

Anticipated Results:

Meeting three percent (3%) annually of the City's fair share of the regionally identified need.

Responsible Agency:

Community Development Department, Housing Division.

Funding:

Department Budget; State & Federal Grants; Local & State Tax Exempt Bonds; Redevelopment Setaside funds.

Schedule:

On-going.

- *6. Review and update annually the City's Housing Assistance Plan.

Anticipated Results:

Accurate assessment of the City's housing needs and progress towards meeting fair share goals.

Responsible Agency:

Community Development Department, Housing Division.

Funding:

Department Budget.

Schedule:

Annual.

GOAL

3. To provide a range of housing types to meet the needs and maintain the quality and diversity of the City's residential neighborhoods.

POLICY

The City shall, through its General Plan efforts, provide a mixture of residential densities and types throughout the community and encourage the design of innovative residential planned developments which offer a variety of building types and lifestyles. This should include an attempt to balance the needs for both rental and ownership housing. The City will assure that housing location adequately considers geological hazards and ecological factors and also enhances and encourages the development of recreational sites and the important conservation of open space resources and green areas, and the protection and enhancement of existing residential areas. The City of Palm Springs will utilize local legislative and police powers to insure that low and moderate income residents have access to a variety of housing types.

OBJECTIVE A

Maintain and improve, where needed, the residential areas of the City. The City of Palm Springs shall improve residential development through the following programs:

- *1. Protect residential areas from excessive noise, odors, dirt, glare, and other unattractive influences resulting from heavy traffic or incompatible uses of adjacent properties. Where these undesirable conditions already exist, they will be eliminated or ameliorated as rapidly as possible.
- *2. Restrict time-share housing from single-family zones and allow its location only in hotel zones because of its tourist orientation.

Anticipated Results: Improved residential environment.

Responsible Agency: Community Development Department, Building Division, Planning Division.

Funding: Department Budget; Private funds; Redevelopment funds.

Schedule: On-going.

OBJECTIVE B

Review City Policy to encourage the development of low and moderate cost housing. The City of Palm Springs shall encourage affordable housing through the following programs:

- *1. Solicit housing developments which satisfy an identified need category. Priority will be given to Fair Share need (affordable to those earning less than 80% of median income). A secondary priority will be for projects serving the needs of those between 80% and 120% of median income. Need analysis will be made annually. (See Appendices A, C)
- *2. Continue to review the Land Use Element of the General Plan to determine if a desirable mixture of residential densities is available for the construction of low-income housing developments, and that current locational criteria for funding are met. More specifically, the City should review areas for the possible application of special, low-income housing development density allowances.

Anticipated Results: Increased supply of low and moderate cost housing, affordable to persons earning less than 120% of median income.

Responsible Agency: Community Development Department, Housing Division, Planning Department.

Funding: Department Budget.

Schedule: Annual.

OBJECTIVE C

Take appropriate measures to provide an adequate supply of rental housing. The City of Palm Springs shall pursue the following programs regarding rental housing:

- *1. Regulate condominium conversions, stock cooperatives, and time-sharing, and place restrictions on conversion of rental units. In so doing, the City shall consider controls to accomplish the following:
 - a. Determine if the conversion has an effect on the availability of needed housing.
 - b. Maintain a reasonable supply of rental housing.
 - c. Protect tenants.
 - d. Assist and ease the tenants' move.
 - e. Facilitate home ownership.
 - f. Protect buyers.
 - g. Improve the building and its units.

Anticipated Results: Adequate rental housing supply.

Responsible Agency: Community Development Department, Economic Development & Housing and Planning Divisions.

Funding: Department Budget.

Schedule: On-going.

OBJECTIVE D

The City of Palm Springs shall implement the following programs to enhance the residential environment and protect housing affordability:

- *1. Continue to support the Palm Springs Rent Control Ordinance and amendments which control annual increases in rent payments.

Anticipated Results: Protect housing affordability.

Responsible Agency: Community Development Department.

Funding: Department Budget.

Schedule: On-going.

- *2. Continue to update the City's Architectural Advisory Committee and Planning Commission review procedure to encourage innovative and imaginative residential developments, and maintain secure living environments.

Anticipated Results: Improved residential environment.

Responsible Agency: Community Development Department, Planning Division.

Funding: Department Budget.

Schedule: On-going.

- *3. Encourage cohesive neighborhood arrangements in balance with service facilities and encourage future residential developments which are attractive and functional, with variations in the size, shape, and organization of lots and structures. Provision for common open space and non-motor circulation systems will be actively supported and encouraged by the City. If the residential project is subsidized the City may consider the use of density allowances in order to upgrade such projects or to make them economically feasible.

In new developments, a favorable residential environment will be encouraged through the use of an imaginative network of minor streets designed to provide access for all of the dwelling units contained therein. Through streets and streets carrying heavy traffic will be discouraged within such developments.

Anticipated Results: Improved residential environment.

Responsible Agency: Community Development Department, Planning Division.

Funding: Department Budget.

Schedule: On-going.

GOAL

4. To provide special types of housing for groups of people with particular needs, including the aged and handicapped.

POLICY

A diversity of building types, site plans, and density differences is to be encouraged within each General Plan density range. Density proposals need not apply to individual lots or dwellings if the densities of the proposed development area as a whole in conformance with the provisions of this plan. The provision of special types of housing for the aged, handicapped and other special need groups will be encouraged through enhancements in development

standards, where appropriate, and other affirmative action. The City will assume fairness and adequacy of compensation and relocation assistance to persons and families displaced by public and semi-public improvements.

OBJECTIVE A

The City of Palm Springs shall encourage the provision of housing for special needs groups through the following programs:

- *1. Consider a reduction on a case-by-case basis of parking space requirements for projects serving low and moderate income elderly and handicapped households.
- *2. Encourage provisions for handicapped accessibility to all residential development.
- *3. Comply fully with State and Federal laws regarding property acquisition and relocation assistance.
- *4. Continue to work toward the provision and allocation of additional development of sufficient low and moderate income housing as authorized by the voter passage of two Article 34 referenda within the City. Housing developed under this authority would benefit both elderly and handicapped as well as family housing. Public housing projects may be single family houses, condominium, modular, mobilehomes, multiple units or apartments houses developed in keeping with community character.

Anticipated Results: The provision of housing for special needs groups, especially those earning less than 120% of median income.

Responsible Agency: Community Development Department.

Funding: Department Budget; Redevelopment Agency
Setaside; State and Federal Grant Funds.

Schedule: On-going.

GOAL

- 5. To upgrade deteriorating housing in viable residential neighborhoods and prevent further deterioration, in order to provide decent, safe and sanitary conditions.

POLICY

Maintain the City's existing housing supply, where adequate, rehabilitate deteriorating units, and educate residents in preventing housing deterioration. City actions should include code enforcement, rehabilitation grants, loan programs, encouragement of rehabilitation and upkeep activities. These programs should focus on low and moderate income housing and target rehabilitation areas.

Although the City's housing stock is relatively new and in sound condition (97% of the City's housing was rated sound in 1978), desert weather and geographical factors, such as blowsand and flooding, place extra strain on housing structures. These factors point to the need for more aggressive public and private action to maintain sound housing.

OBJECTIVE A

Limited amounts of economic resources are made available through the Federal and State governments for rehabilitation programs designed to assist low and moderate income persons. The City of Palm Springs shall engage in these Federal and State activities through the following programs:

- *1. Channel limited economic resources for subsidized rehabilitation loan and improvement programs into areas defined by the City to be rehabilitation target areas with substantial numbers of deteriorating units. These areas should roughly coincide with the City's lower income neighborhoods. (See Appendix B)
- *2. Continue to participate in the County Home Improvement Rehabilitation Program or develop effective local program. The City of Palm Springs should identify individual housing rehabilitation needs and appropriate necessary funds from Community Development Block Grants and Redevelopment Agency setaside to address housing rehabilitation needs.
- *3. In exchange for rehabilitation of tenant housing, require agreements from the owners that rents be maintained at affordable levels for an appropriate period of time.

Anticipated Results: Rehabilitated housing for those persons earning less than 80% of median income.

Responsible Agencies: Community Development Department, Economic Development & Housing Division; Riverside County Housing Authority; Redevelopment Agency.

Funding: State and Federal Funds; Community Development Block Grants. Redevelopment Agency setaside.

Schedule: On-going.

OBJECTIVE B

Private lending institutions can be valuable sources of rehabilitation funds for low and moderate income housing. Private lenders can be encouraged to loan money in target areas through guaranteed loans and other means.

The City of Palm Springs shall encourage private rehabilitation programs through the following program:

- *1. Seek to stimulate lending institutions to provide mortgage and rehabilitation loans to financially responsible persons desiring to build or rehabilitate housing in declining, unstable neighborhoods.

Anticipated Results: Rehabilitated housing for those persons needing assistance.

Responsible Agency: Community Development Department, Economic Development & Housing Division.

Funding: Private lending institutions; Department Budget. Redevelopment Agency Setaside.

Schedule: On-going.

OBJECTIVE C

Code enforcement to identify housing deficiencies and rehabilitation requirements shall be implemented by the City of Palm Springs through the following programs:

1. Upon request conduct occupancy inspections, whereby each time a residential unit or apartment complex is sold, it is inspected for compliance with code requirements that emphasize safe and sanitary housing conditions.
- *2. Adopt a code enforcement policy for housing rehabilitation that will emphasize safe and sanitary housing and correction of health and safety violations and not necessarily force rigorous adherence to code compliance, specifically recent code additions.
3. Use Section 17299 of State Revenue and Taxation Code by reporting all code violators who refuse to make repairs. The State will not allow the owner to take income tax deductions for costs related to the building in violation.
- *4. Continue periodic inspection through code enforcement programs to preserve existing housing stock and ensure Health and Safety Code compliance.
5. Offer low interest rate loans and other assistance as funds are available to owners of buildings found to be in need of repair at the above inspections.

Anticipated Results: Identification and correction of housing deficiencies.

Responsible Agency: Community Development Department, Building Division, Economic Development & Housing Division.

Funding: Department Budget; State and/or Federal Funds; Redevelopment Agency Setaside.

Schedule: On-going.

OBJECTIVE D

The City of Palm Springs shall also implement the following program to encourage the production of sound affordable housing:

1. Assist self-help projects designed to help hold down construction and rehabilitation costs.

Anticipated Results: Increased housing affordable to those earning less than 120% of median income.

Responsible Agency: Community Development Department.

Funding: Department Budget; State and Federal Funds; Redevelopment Agency Setaside.

Schedule: On-going.

GOAL

6. To support efforts to eliminate discrimination in housing with regard to race, color, religion, national origin, sex, age or family status, to assure equal opportunity in housing to all groups.

POLICY

Establish and support an affirmative housing action program to provide equal opportunity in housing. The City will maintain realistic projections of needs for the existing population, especially low income, elderly, handicapped, large families and persons displaced by public or private action and those expected to reside in the community.

OBJECTIVE A

The City of Palm Springs shall implement an affirmative program for equal opportunity in housing through the following programs:

- *1. Receive and investigate complaints of housing discrimination against any person, group, organization or corporation and refer appropriate matters to the proper authorities.
- *2. Provide support to local groups that handle complaints of discrimination in housing.
- *3. Coordinate with the appropriate information referral agencies in cases where housing discrimination is evidenced. In this regard, publicize the availability of such services so that Federal and State resources may be utilized.

Anticipated Results: Improved equal opportunity in housing.

Responsible Agency: Community Development Department, Economic Development & Housing Division; Community Services Department and Community Service Agencies.

Funding: Department Budgets; Community Service Agency Budgets.

GOAL

7. To encourage citizen participation in planning and programming of housing policy and public improvements.

POLICY

The City will encourage regional housing efforts to be consistent with the objectives of the Coachella Valley Association of Governments, the Southern California Association of Governments, the State of California and the Federal Government. All local efforts shall be in conformance with the General Plan and Element of the General Plan and the Community Services Master Plan.

OBJECTIVE A

The City of Palm Springs shall encourage citizen participation in planning and programming of housing policy and public improvements through the following programs:

- *1. Encourage broad public participation for use of Community Development Block Grant funding and in the allocation of public monies for housing improvement. This effort shall include at least two community meetings. (See Appendix B)
- *2. Continue to evaluate annual objectives and time-tables for implementing low/moderate income housing under the procedures established for the Housing Assistance Plan of the Housing and Community Development Block Grant Program, to determine their effectiveness. (See Appendix B)
- *3. Upon request, assist in the formation of neighborhood associations interested in promoting neighborhood improvements and maintenance.

Anticipated Results: Citizen input in public policy and actions

Responsible Agency: Community Development Department, Economic Development & Housing Division.

Funding: Department Budget; Community Development Block Grants.

Schedule: On-going.

OBJECTIVE B

The City of Palm Springs shall facilitate the transfer of information on public programs, housing maintenance and improvement and neighborhood conservation through the following programs:

- *1. Develop public information programs, designed to encourage the maintenance and preservation of existing housing stock, including information relating to energy conservation, fire prevention and burglary prevention.
- *2. Expand an information system to keep residential developers aware of available government housing assistance, subsidy programs and market information.

Anticipated Results: Improved access to public information.

Responsible Agency: Community Development Department.

Funding: Department Budget; State and Federal Funds

Schedule: On-going.

- *3. Continue to sponsor Community Education and Information Programs in conjunction with the Housing Authority to inform residents about the availability of existing assistance programs for which they may apply, including but not limited to low-income home-ownership assistance the California Farm and Home Purchase Program for veterans, the State Citizens Rental Assistance Program, and rental subsidy programs.

Anticipated Results: Improved participation in public programs for housing.

Responsible Agencies: Community Development Department, Housing Division; Riverside County Housing Authority.

Funding: Department Budget.

Schedule: On-going.

EVALUATION OF HOUSING ELEMENT PROGRAMS & POLICES
 (Housing Element, adopted January, 1983)

| Program | Status: | Ongoing | Complete | Incomplete | Abandoned |
|-------------------------------|---------|---------|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| 1.A.1. Block Grant Funds | | x | | In past year, funds have been expended to assist in development of low income mobile home park, and for participation in County Housing rehabilitation loan program; this year, \$180,000 is earmarked for loans to assist low and moderate income homeowners hook-up into the sewer sytem. | |
| 1.A.2. Assist Non-Profits | | x | | Although the city has provided technical assistance to various non-profits over the past year, no specific proposals have been submitted. | |
| 1.A.3. Land Banking | | x | | The city currently has approximately 90 acres either developed or slated for development with low and moderate income housing; the City anticipates the purchase of an additional 3 acres for such development this year using CDBG funds. | |
| 1.A.4. Profit Limitations | | x | | | |
| 1.A.5. Sewer Capacity | | | | x | The sewer plant expansion, completed last year, is estimated to provide for 10 years of community growth. |
| 1.A.6. Mortgage Revenue Bonds | | x | | x | Mortgage bonds issued for three new developments; new issues possible depending on future need and demand for such financing. |
| 1.B.1. Prioritize Review | | x | | | |

EVALUATION OF HOUSING ELEMENT PROGRAMS & POLICES
(Housing Element, adopted January, 1983)

| Program | Status: | Ongoing | Complete | Incomplete | Abandoned |
|--------------------------------|---------|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|-----------|
| 1.B.2. Density Bonus | | x | Completed for 3 projects totaling 1,460 units. | | |
| 1.B.3. Control Mechanism | | x | Completed for 3 projects totaling 1,460 units. | | |
| 1.B.4. Review Requirements | | x | | | |
| 1.B.5. Mobile Homes | | | x | Code provisions allowing mobile homes on single-family lots adopted. | |
| 1.C.1. Residential Mixture | | x | | | |
| 1.C.2. Innovative Design | | x | See land availability section of narrative. | | |
| 1.C.3. Subsidized Housing | | x | | | |
| 1.D.1. Federal Programs | | x | The city has prepared and distributed a brochure to lower income households and other interested parties which describes available programs and projects in the housing market area. | | |
| 1.D.2. Growth Limitation | | x | | | |
| 1.D.3. Residential Review | | | | | x |
| 1.D.4. Housing Criteria | | | | x | |
| 1.D.5. State/Federal Financing | | x | | | |
| 1.D.6. Defensible Space | | x | | | |
| 2.A.1. Merge Programs | | x | | | |
| 2.A.2. Monitor Laws | | x | | | |
| 2.A.3. CVAG | | x | | | |
| 2.A.4. Sphere of Influence | | x | | | |
| 2.A.5. State/Federal Programs | | x | | | |
| 2.A.6. Housing Assistance Plan | | x | x | | |

EVALUATION OF HOUSING ELEMENT PROGRAMS & POLICES
 (Housing Element, adopted January, 1983)

| Program | Status: | Ongoing | Complete | Incomplete | Abandoned |
|--------------------------------|---------|---------|----------|------------------------------------------------------------------------------------------------|-----------|
| 3.A.1. Incompatible Uses | | x | | | |
| 3.A.2. Timeshare | | x | x | Timeshare units are restricted from single-family neighborhoods by ordinance. | |
| 3.B.1. Solicit Housing | | x | | | |
| 3.B.2. Land Availability | | x | | | |
| 3.C.1. Condominium Conversions | | x | | | |
| 3.C.2. Rental Only Zones | | | | | x |
| 3.D.1. Pest Control | | x | | | |
| 3.D.2. Design Review | | x | | | |
| 3.D.3. Design Standards | | x | | | |
| 4.A.1. Parking Standards | | x | | | |
| 4.A.2. Handicapped Access | | x | | | |
| 4.A.3. Assisted Housing | | x | | Combine with 1.D.3. | |
| 4.A.4. Relocation Assistance | | x | | | |
| 4.A.5. Public Housing | | x | | | |
| 5.A.1. Target Grant Funds | | x | | | |
| 5.A.2. Rehabilitation Program | | x | | | |
| 5.A.3. Rental Agreements | | x | | | |
| 5.B.1. Lending Institution | | x | | | |
| 5.C.1. Code Inspections | | x | | | |
| 5.C.2. Code Enforcement | | x | | | |
| 5.C.3. Code Violations | | x | | | |
| 5.C.4. Code Inspections | | x | | | |
| 5.C.5. Rehabilitation Loans | | x | | | |
| 5.D.1. Self Help Housing | | x | | | |
| 6.A.1. Housing Discrimination | | x | | | |
| 6.A.2. Local Housing Groups | | x | | | |
| 6.A.3. Referral Agencies | | x | | | |
| 6.A.4. Adult Only Rental | | | x | Recent legislation and court decisions preclude discrimination in rental housing based on age. | |

EVALUATION OF HOUSING ELEMENT PROGRAMS & POLICES
(Housing Element, adopted January, 1983)

| Program | Status: | Ongoing | Complete | Incomplete | Abandoned |
|---------------------------------|---------|---------|----------|------------|-----------|
| 7.A.1. Citizen Participation | | x | | | |
| 7.A.2. Program Evaluation | | x | | | |
| 7.A.3. Neighborhood Association | | x | | | |
| 7.B.1. Public Information | | x | | | |
| 7.B.2. Information System | | x | | | |
| 7.B.3. Community Education | | x | | | |

Sites for Low and Moderate Income Housing

To provide housing for low and moderate income families, elderly and handicapped, adequate sites must be available for development. Rapidly escalating land cost and diminishing vacant land has limited possibilities for construction in some areas. In order to insure the provisions of some new low and moderate income housing in Palm Springs, site selection will be based upon locations that make reasonable efforts to address the need and fulfill locational criteria i.e., proximity to schools, churches, shopping, transportation, recreation and other service facilities. Although the General Plan or zoning designations may not permit residential uses of the type proposed, these designations may be changed to allow for rezoning of sites for different types of housing when necessary and appropriate. The designation of this methodology should encourage the development of low and moderate income housing throughout the City, aid in making decisions on specific proposals for low and moderate income housing and help in the development of specific plans in certain areas of the City. The City will attempt to use this same approach in coordinating low and moderate income housing development with the County of Riverside in the sphere area of Palm Springs.

Funding Sources

The major source of funding for the Housing Program will be Community Development Block Grant Funds and the 20% housing setaside funds from newly adopted redevelopment areas. Palm Springs has received Block Grant Funds since 1975. These funds must be used to give priority to activities which benefit low and moderate income persons and help prevent slums and blight. The emphasis and intent of the program is to focus on housing activities, especially rehabilitation and conservation programs. The Redevelopment Agency should begin to receive limited housing setaside funds in 1985. These funds must be used to enhance and increase housing opportunities for low and moderate income households.

Other potential funding sources include State and Federal programs for rehabilitation and new construction of lower cost housing. Important among these programs are those enabling the issuance of tax-exempt mortgage revenue and assessment district bonds in order to lower upfront costs and ongoing mortgage payments. A complete listing of possible funding sources is included in the technical supplement of this element. The City of Palm Springs may be able to commit some funds to many aspects of the Housing Program. CDBG, Redevelopment Agency and City funds will also be used, where possible, to leverage State and Federal grant funds, and private funds from developers, investors, and lending institutions.

Funding Priorities for the Housing Program

The policies and implementation measures developed in this Housing Element constitute the basis of a Housing Program for Palm Springs. Unlike other parts of the General Plan, which can be carried out by enacting ordinances and policies, many aspects of the Housing Program will also require local, State, Federal and private funds for its implementation.

As funding resources are limited, as well as uncertain as to exact amount, all aspects of the Housing Program will not be able to be fully implemented immediately. Therefore, establishing priorities for the components of the Housing Program which require funding, can help in determining funding allocations.

Recommended priorities for the 5-year Housing Program are as follows:

| Priority | Project | Estimated Cost | Possible Source of Funds |
|----------|---------------------------------------------------------------------------------|----------------|--------------------------------|
| 1 | Land write-down for low and moderate income housing | \$250,000 | CDBG, MRB, PI GF, RA |
| 1 | Home Improvement Program, re-habilitation | 250,000 | CDBG, CHFA, PI RA |
| 2 | Offsite Improvement to benefit low and moderate income housing | 500,000 | CDBG, AD, PI, GF RA |
| 2 | Construction Financing for Low and Moderate Income Rental and Ownership Housing | 10,000,000 | CDBG, MRB, CHFA HUD, PI, RA |
| 3 | Rental Subsidy and Relocation Assistance | 750,000 | HUD, CDBG, PI RA |

AD: Assessment District
 CDBG: Community Development Block Grant
 CHFA: California Housing Finance Agency
 GF: General Fund
 HUD: Department of Housing & Urban Development
 MRB: Mortgage Revenue Bond
 PI: Private Investment
 RA: Redevelopment Agency

All programs should be evaluated after the first year to determine if funds should be additional reallocated. It is also possible that some programs could be supplemented by City General Funds when available.

IMPLEMENTATION

The City of Palm Springs has committed to address a minimum of three percent (3%) of the fair-share need and three percent (3%) of the rehabilitation need, on an annual basis in the Housing Assistance Plan. The numerical total of program objectives to ensure housing affordability should address a reasonable proportion of the City's adjusted fair share need, which is shown to involve 2,670 low income households. A three percent (3%) average address of these needs, should produce a total of 400 households during a five year program. This figure is consistent with the goals contained in the Southern California Association of Governments' Areawide Housing Opportunity Plan. Priority processing will be given to projects that meet this need. A second priority will be given to projects that address the needs of these households between 80 percent and 120 percent of median income. Although this need is not as easy to diagnose as the needs identified in the fair-share formula, extrapolation of 1980 census income data shows a minimum need of 1,541 units in this category. In 1980 and 1981, 1,060 units directly addressing this need were approved for construction. Construction of these units is currently in progress. The ongoing need in this income category will be verified annually using updated census and market data.

The City has experienced an historical average residential growth rate of 933 units per year since 1967. It is expected that this average annual growth rate will continue and supply needed housing for higher income households, those earning over 120% of median income. There are no formal growth management restrictions beyond the overall/ultimate general plan land use plan and market and financing forces which would restrict the construction of needed higher income housing.

Evaluation of the Housing Program

1. Review and Update:

The objectives and policies of this Housing Element are intended to define a medium range statement of Palm Spring's housing concerns. The specific aspects of the Housing Program may be used for both short and long term solutions, however, the need for ongoing evaluation and update is crucial. The State guidelines for the Housing Element indicate that programs should be reviewed annually and an update be completed no less than once every five years. This revision should include the incorporation of new census data as it becomes available. The Housing Program should evaluate the effectiveness in accomplishing housing objectives and adherence to the policies established in the Housing Element. The City should set out the plans that have been undertaken and those new plans it intends to implement and also identify those plans that have been discontinued.

2. Ongoing Citizen Participation:

The Housing Program has been developed by citizen input. As the Housing Program is implemented, additional citizen input will also be critical. Guidelines will need to be established for various aspects of the Housing Program and activities should be evaluated annually to determine their effectiveness. Also, State Guidelines require periodic review and update. It is therefore recommended that the Planning Commission, Community Development Neighborhood Advisory groups and the Community Services Commission continue the responsibility of this activity.

★ ★ ★ ★ ★

APPENDIX A: Brief Summary of AFCOM/Fredricks Affordable Housing Project

The project consists of the construction of 400 mobile home pads and 341 new units of single family detached housing, along with related infrastructure and offsite improvements. The entire project will provide housing opportunities to at least 1,630 low, moderate, and middle income persons. The mobile home pads will rent for \$100 per month, and the new homes will sell for approximately \$43,950 to \$65,950.

The project site is located on Sunrise Way, at the intersection of San Rafael Drive. The site is shown on the maps in this section. The site contains 100 acres, 80 of which are presently owned by the City of Palm Springs, and 20 of which will be acquired by the City from the Desert Water Agency. The City will retain ownership and lease the land for mobile home and single family use, at less than market rate.

The project will be developed by AFCOM (Affordable Communities) of Long Beach, California and Fredricks Development Corporation of Santa Ana, California. AFCOM, which is developing the mobile home park has expertise in providing mobile home and single family housing to low and moderate income persons, and in programming relocation of persons into the units, which is a critical element of this project. AFCOM will manage the mobile home portion of the development subsequent to completion. Fredricks Development Corporation, experienced in constructing and marketing a variety of residential projects, is developing the single family modular homes.

As part of its operating policy, AFCOM limits its profit to 6½% of sales of for sale housing. AFCOM has agreed to build the mobile home park on a non-profit basis. Overhead is calculated at 3½% of costs.

Approximately 150 construction worker jobs will be created by this project, which has a total development cost of in excess of \$22 million.

This project is critically needed in Palm Springs in order to provide housing opportunities for 716 low income and elderly persons who are being displaced from four mobilehome parks located on Indian land near the Central Business District (CBD) of Palm Springs. Large tracts of land in the CBD and elsewhere are owned by Indians. The land has remained essentially undeveloped, due to restrictions placed on long term leases on Indian land. However, the Bureau of Indian Affairs has changed its regulations to allow Indian land owners to lease their land for periods up to 99 years. This change makes the Indian land near the CBD attractive for commercial development, and several large scale developments are now planned on Indian owned land. This land is presently occupied by mobile home residents who have been given notices to vacate. One of the parks was vacated February, 1982, the second in December, 1982, the third in February, 1984, and the fourth in May, 1984. A total of 490 units are affected. Since the displaced tenants are elderly and low income, most are paying rents of less than \$100 per month. Without this replacement project, which

provides them with space at comparable rents, they will be homeless.

As part of the planning and research conducted to establish the need for this project, a canvas of the residents of the mobile home parks on Indian land was conducted. This survey confirmed that the residents are now largely elderly, low income people, who have little resources of their own to help them in any move or relocation.

An additional factor which underlines the importance to the City of Palm Springs of providing housing opportunities for low and moderate income citizens is the relatively heavy dependence of the City's economy on visitors and on the hotels which make Palm Springs a uniquely popular convention and resort location. Where hotels and similar establishments exist, there is a great need for employees who perform essential service functions. Palm Springs shares with most other California cities a serious shortage of housing for people at or below the median income level. The result is that the service workers must commute long distances from their homes to their work. Palm Springs hotel operators find the lack of available service employees detrimental to maintaining a consistent service level and endangering to their economic vitality. This housing project has been endorsed by most of the major employers in Palm Springs. City-wide population studies conducted by the City document the need for additional housing for low to moderate income persons.

This project will also provide 341 single family detached houses that will sell in a range of \$43,950 to \$65,950 to partially alleviate the housing needs of a portion of the permanently employed, middle income persons in Palm Springs. This portion of the project is designed to be affordable to persons with incomes ranging from 80 to 120 percent of the City median. Permanent financing will be provided to buyers of these homes using funds generated by the AB 1355 mortgage program. Approximately 30 homes will be assisted by the California Homeownership Assistance Program (CHAP). This program is an equity participation program sponsored by the State and provides ownership opportunities to households earning less than 80% of the median income. The entire project, when completed, will provide housing for an estimated 1,630 low, moderate, and middle income persons.

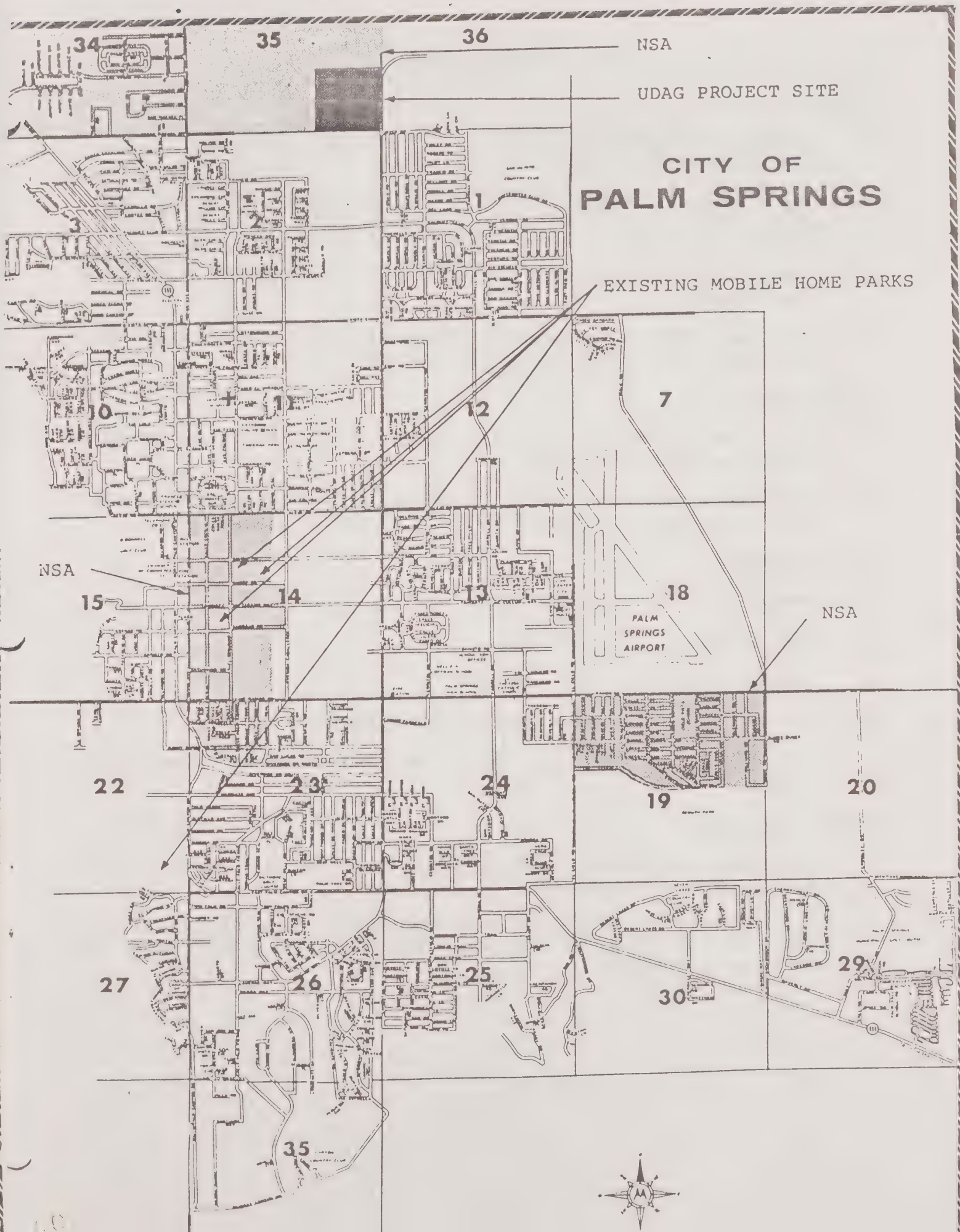
The project also contains recapture provisions, whereby the City will recapture \$300,000 in sewer and water line costs when property along the new sewer and water lines is developed. The City will also receive revenue from the land lease over the next fifty years.

The project has the support of community groups, tenants of the existing mobile home parks, local employers, the media, the League of Women Voters, the Coachella Valley Association of Governments, City Councils of neighboring communities, and the Federal Home Loan Bank of San Francisco.

To date, a total of 115 mobile home spaces and 52 single family modular units have been developed.

More extensive documentation of this project, including detailed studies, specific plans, and endorsements are included in the City's unsuccessful UDAG Application for Neighborhood Housing. A copy of this application is available for review at the City's Economic Development & Housing Division.

UDAG PROJECT SITE MAP INSERT PAGE



NSA

UDAG PROJECT SITE

CITY OF PALM SPRINGS

EXISTING MOBILE HOME PARKS

NSA

NSA

PALM
SPRINGS
AIRPORT



AFCOM/FREDRICKS HOUSING PROJECT

Federal Allocation

1. Community Development Block Grant in the amount of \$964,357 for offsite improvements and land purchase.
2. 115 Section 8 allocations whereby eligible tenants pay 25% of their gross income for rent and the difference between that and the fair market rental rates are paid for by a federal subsidy.
3. Rehabilitation loan funding in an amount of \$90,000 for mobile home improvements.
4. Assistance for an undetermined number of single family homes with assistance from the HUD Section 235 Program.

State Allocation

1. AB333 Homeownership Assistance in the amount of \$525,000 for one-half equity ownership in 30 homes.
2. Mortgage Revenue Bonds to provide a fixed, 30 year, 13-1/8% interest rate - \$19,300,000 assisting a total of 347 homes in three projects.

City Allocation

1. Original Land Purchase - \$500,000.
2. Density bonus, 8 units per acre.
3. General Fund contribution - \$400,000.
4. Fee deferral on the mobile home park until completion.
5. Fee deferral on the single family homes until occupancy permits are issued.

Private Allocation

1. AFCOM overhead and profit limitation of 10% and one year of private subsidy for mobile home tenants.
2. From the sale of each single family home, \$5,000 is contributed, via the City, as a loan to AFCOM to construct additional mobile home spaces not to exceed \$1,705,000.

In return for all the public contributions above, the City will receive: 115 subsidized mobile home spaces immediately and 285 subsidized spaces made available as other existing mobile home parks close; 30 single family homes available to families earning less than 80% of the median income; 311 single family homes available to households earning between 80% - 120% of median income; annual lease revenues from the land in an amount of \$60,000 per year; \$1,705,000 from the sale of single family homes, to be used as a loan for construction of additional mobile home spaces; and upgrade of housing stock by substantial rehabilitation of 90 mobile homes via below market rate rehabilitation loans; approximately \$300,000 in reimbursements for sewer and water line extensions; approximately \$102,550 in annual tax revenue; clearing of land in the downtown for commercial development.

APPENDIX B: Neighborhood Strategy Area Plans (Summary)

Description of NSA Sites

The Housing and Community Development Act specifies that grant funds must be used to benefit low and moderate income families. In Palm Springs there are three distinct neighborhoods which have been identified as having those income and housing value characteristics--the Veterans Tract, Desert Highland/Gateway Estates, and the downtown area or the east half of Section 14 (including a few square blocks south of Ramon Road). In addition, approximately 410 acres of vacant land adjacent to the Desert Highland/Gateway Estates area (Section 35), are included to eventually serve the needs of low and moderate income housing. The Downtown and Section 35 NSA's are related through the pending relocation of mobile homes, however, they should not be viewed as single purpose NSA's. The Downtown NSA currently contains several old mobilehome parks, 215 units of Section 236 housing as well as 160 single family or duplex units that house persons whose incomes fall below 80% of the median income. The needs that exist in the Downtown NSA neighborhood go well beyond the development of a relocation mobilehome park. The Section 35 NSA is adjacent to Desert Highland/Gateway Estates, a residential neighborhood that houses over 1,000 persons whose incomes fall below 80% of the median income. Section 35 is scheduled for residential, commercial and industrial development over the next five years. The latter two types of developments will be a source of employment for low and moderate income persons. The following specific plans outline in detail goals to be accomplished within all NSA areas.

Veterans Tract

The Veterans Tract is populated by moderate and middle income families with children, a large percentage of whom are Mexican-American. The neighborhood is situated directly west of a light industry area, north of a large City park (DeMuth Park), and south of the Palm Springs Municipal Airport. Approximately one-fifth of the neighborhood is within the projected 1985 db CNEL Noise Contour of the Airport. An elementary school, Cielo Vista, is located within the neighborhood. The Veterans Tract is comprised of approximately 200 acres of gently sloping land, of which about one-third is undeveloped.

The condition of the neighborhood is good, although there are several streets in need of complete reconstruction. Housing conditions vary from excellent to "deteriorating", with approximately 28 dwellings in need of light rehabilitation work. The Special Census in 1978 found two structures which could be classified as "delapidated". One problem which is noted, however, is that most of the undeveloped areas of the neighborhood are in need of cleanup, so they in turn depreciate the area's overall aesthetics. Energy audits of private residences are available through Southern California Edison and priority is granted to this area.

A major problem for the area residents has been the heavy cost of assessment district projects. Prior experience with sewer assessments and street improvement districts has produced a reluctance to become involved with neighborhood improvements and may explain the active interest readily displayed by the neighborhood residents in the Housing and Community Development Program. A partial assessment district contribution from neighborhood residents will be sought with primary assistance coming from CDBG funds.

The short term objectives include continuing to implement the Home Improvement Program; encouraging property improvements; considering improvements to streets, curbs, gutters, water and sewer facilities, street lighting and other utilities; promoting additional low cost housing; assisting in implementation of the Community-Child Care Project, and related programs; assisting in crime prevention where appropriate.

The long term objectives would be continued evaluation of physical conditions; increasing employment opportunities; upgrading the housing stock; and development of necessary street improvements. The physical improvement programs to be carried out with Block Grant funds include rehabilitation and public improvements. Hopefully, Section 8 substantial rehabilitation, 312 loans or other rehabilitation funding could be secured. Some public services including a dental-care facility, may be requested to facilitate the ongoing operation of the Community Child Care Center. Efforts will be made to tie block grant expenditures to other City Capital Project expenditures. Since the area needs are limited for the Veteran's Tract NSA, the improvements needed can be realistically achieved within the 6 to 9 year planning period. A small amount of assistance applied in this neighborhood could provide a desirable turn-around from deterioration. Specific timing of these improvements are outlined as follows:

| <u>NEED CATEGORIES</u> | <u>LOCATION</u> | <u>QUANTIFICATION</u> | <u>YEAR ACCOMPLISHED</u> |
|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|------------------------------|
| Street Improvements | Camino Parocela Sunny Dunes Calle Ricardo Calle Carlos Camino San Simeon Camino San Miguel El Cielo, Desert View, Highland, Desert Way, Mtn. View & extensions | 18,450 Linear curbs, gutter, AC pavement | 1 - 9 |
| Sewer Improvements | Desert View, Palm El Cielo | 1,950 Linear Ft. 8" line | 1 - 4 |
| Utility Under- grounding | All public streets and rear yard easements | 12,000 Linear Ft. | 1 - 9 |
| Storm Drain Improve- ments | All public streets | 16,500 Linear Ft. | 1 - 9 |
| Street Lights | Intersections of Camino Parocela and Sunny Dunes | 5 marbelite poles | 1 - 9 |
| Crime Prevention Improvements | 50 private units | 40 private units | 3 - 9 |
| Rehabilitation | 28 private units | 28 private units | 1 - 4 |
| Neighborhood Clean- up | 15 properties | 15 properties | 1 - 3 |
| Child Care Facility Improvements | Cielo Vista School | Structure addition | 3 |

Funding resources include Block Grant, local funds and private investment. A Community Development Block Grant Advisory Committee does exist for this neighborhood. At least one neighborhood meeting is held annually. Citizen participation will be encouraged and reflected throughout the program planning and implementation stages of the Block Grant Program. The Community Services Commission and the City Council also hold annual public hearings. The goals of the Housing Assistance Plan and the Housing Element of the General Plan can be met through housing rehabilitation, physical street improvements and public services, such as child care and related services, to facilitate economic development in this neighborhood.

Desert Highland and Gateway Estates - Situated as the northernmost neighborhood in the City, the Desert Highland and Gateway Estates are exposed to high winds and some blowsand.

The 1978 Special Census reported a median family income for this area of less than 50% of the Riverside County median. The Census also documents that this neighborhood is 93% black, and through interpretation, the Census indicates that 40 of the black families were living below the poverty level. Another 56 families had incomes less than 125% of poverty level.

The neighborhood has good streets and other public improvements, including a park. During 1970-71, there was a water and sewer program, and code enforcement program in the Highlands Estates area which brought overall improvement to the area and provided residents with Section 312 loans to improve their property. Other factors, however, have contributed to problems in the neighborhood. High winds and blowsand make outdoor living improvements a rather futile effort. The low income character of the population constrains property maintenance and improvement.

Housing conditions in the area range from good to "delapidated", with a large number of homes boarded up or left vacant and vandalized. During the 1978 Special Census, staff found 12 "deteriorating" structures and 5 "delapidated" buildings. One area in particular on Oasis and Anza Roads is very blighted and in need of major rehabilitation or abatement work. As with the other project areas, the Desert Highland/Gateway Estates have many undeveloped lots and vacant areas in need of cleanup.

Approximately one-fifth of this area contains vacant in-fill acreage. A cooperative housing effort will be emphasized in this area. Self-help housing funding will be sought through Federal and State assistance. Interest write down will be provided through CDBG funds. Mortgage interest write down may be obtained through the sale of mortgage revenue bonds.

A major positive factor concerning this area is its sense of neighborhood and ability to organize. This factor contributed heavily toward the identification of problems and needs for the area during the preparation of the Community Development Plan and is responsible for the successful efforts of one of the neighborhood churches in establishing a child care facility using State and Federal programs. Energy audits of private residences are available from Southern California Edison and priority has been granted to this area.

Social service needs include expansion of leisure service programs available through the Desert Highland Unity Center as well as the Urban League Office. Specific programs include expanding educational and training programs

primarily focusing on youth vocational training. Housing counseling and job development are the primary focus of the Urban League Office.

The adjacent Section 35 area is vacant. The City currently owns approximately 100 acres of this vacant land. City staff is currently assisting the development of this land for low and moderate income persons. Housing types include mobile homes, single-family, and condominiums. Tax-increment and assessment districts could be used to help develop off-site and street improvements. Block Grant funding could also be extremely useful in this effort to help lower costs of the final products.

Short-term objectives would be land acquisition and physical improvements to lower costs of development. Desert Highland and Gateway Estates will require expenditures of funds for recreational use to complete the functional use of the park. Continued funding of the Home Improvement Program will be necessary to encourage property improvement in the Desert Highland and Gateway Estates area. Crime prevention will also be encouraged.

The long-term objectives would be continued evaluation of physical conditions, improvement of employment opportunities, upgrading the existing housing stock and development of Section 35 to provide low cost housing for the needs of the immediate area and the downtown area. Physical improvements to be carried out would be demolition of blighted structures and recreational expansion in the Desert Highland area. The Section 35 area would require acquisition and complete public improvement assistance. Related programs currently being investigated for Section 35 needs include Section 8 new construction, housing bonds, the Urban Development Action Grant and other new construction financing techniques including substantial private investment. There may be the need to expand public services for the recreational activities at Desert Highland Park. Housing mortgage revenue bond funds have been issued for use in the Section 35 housing developments. Efforts will be made to coordinate any block Grant expenditures with other local actions, including local capital improvement program funding.

Extensive utility company construction will occur in Section 35 concurrently with its development. The private development, along with public agency participation, will include efforts to utilize the local available work force primarily from the Desert Highland/Gateway Estates neighborhood. Utility company work will include water, power and telephone service to private development of approximately 1,950 residential units, a 60 acre industrial park and 30 acre neighborhood shopping center.

Funding sources include Block Grant, local funds, housing bonds, and substantial private investment. Specific timing of these improvements are outlined as follows:

| <u>NEED CATEGORIES</u> | <u>LOCATION</u> | <u>QUANTIFICATION</u> | <u>YEAR ACCOMPLISHED</u> |
|------------------------|----------------------|---------------------------------------------------------|--------------------------|
| Park Improvements | Desert Highland Park | Landscaping, recreation courts, play field improvements | 3 - 7 |
| Sewer Improvements | 20 private units | 20 lateral connections | 1 - 4 |

| <u>NEED CATEGORIES</u> | <u>LOCATION</u> | <u>QUANTIFICATION</u> | <u>YEAR ACCOMPLISHED</u> |
|-------------------------------|------------------------------------------------|----------------------------------------------------------------------------------------|--------------------------|
| Street Improvements | Sunrise, San Rafael, Indian, Radio Road, Oasis | 5,000 Linear Ft. | 1 - 4 |
| Flood Diike Reinforce-ment | Wash north of Section 35 | 1,320 Linear Ft. | 1 - 3 |
| Traffic Signal Installation | Sunrise/San Rafael intersection | 4 light std. | 3 |
| Neighborhood Clean-Up | 15 properties | 15 properties | 1 - 3 |
| Crime Prevention Improvements | 40 private units | 40 private units | 4 - 7 |
| Rehabilitation | 25 private units | 25 private units | 1 - 4 |
| Cooperative Housing | Desert Highland/Gateway Estates | 10 properties | 1 - 9 |
| Private Investment | Section 35 | 1,950 residential units, 60 acre industrial park, 30 acre neighborhood shopping center | 1 - 9 |

A Community Development Block Grant Advisory Committee exists for the Desert Highland neighborhood. At least two neighborhood meetings are held annually. Citizen participation will be encouraged and reflected throughout the program planning and implementation stages of the Block Grant Program. The Community Services Commission and the City Council also hold public hearings. The goals and housing needs of the Housing Assistance Plan and the Housing Element of the General Plan should be significantly addressed through the development of Section 35.

Section 14 Area - It would be difficult to characterize Section 14 as a "neighborhood" within the traditional meaning. The area has three distinct population and housing types:

- (1) high-density apartments, two-thirds of which are H.U.D. Section 236;
- (2) low-income family homes, many of which are on leased Indian land; and
- (3) several large trailer parks which have a large senior citizen population.

Close to the downtown, Section 14 is a mixture of high quality hotels and condominiums with old trailer parks, small cottage-type homes, and high-density apartments. The older mobilehome parks in the downtown area are

scheduled for closure due to advancing growth of the downtown, and the ability to develop the underlying ground to a higher and better use. This use will include commercial uses, hotel development, retail shopping and professional offices. This private development activity will be a source of short-term construction employment as well as long-term service and commercial related employment.

Very little of the whole square mile area is developed. This is an area in which the residents have one common characteristic: they have very low, or moderate incomes, and many of them are senior citizens living on fixed incomes. Energy audits of private residences are available from Southern California Edison and priority has been granted to this area.

During the 1978 Special Census, 48 structures were counted as "deteriorating" and 17 as "delapidated", not counting whatever problems may exist for the mobilehomes in the trailer parks. The trailer parks are old and the majority of the mobilehomes in the parks require some rehabilitation.

The large vacant areas have a serious cleanup problem which adds to the overall deteriorated appearance of the area. Since 1970, two large Section 236 apartment projects with a total of 215 units have been constructed in the area. Their occupancy has been 98+% per year since they opened and have helped to provide moderate cost housing in the City.

The downtown area mobilehome portion should be viewed in conjunction with the Section 35 area NSA plan. The relocation of mobilehome parks to Section 35 will occur over the next four year period. However, the downtown area NSA is not a single purpose NSA. As outlined throughout this Section, this area has additional needs far beyond the needs of the mobilehome tenants. The area can be viewed as the primary source of employment for low and moderate income residents. The strategy for the area includes the encouragement of private sector participation in the development of the area into vital commercial and retail centers.

Short-term objectives would be neighborhood cleanup, property improvements, including crime prevention, street improvements, home maintenance, and expansion of housing opportunities for low cost housing both for apartments and mobile homes. Single family homes would benefit from the continuation of the Home Improvement Program. Demolition of dilapidated housing stock would also benefit neighborhood aesthetics. Relocation of mobilehomes is pending.

Long-term objectives would be to upgrade the existing housing stock and carry out street and other physical improvements. It is anticipated that the availability of low cost housing will decrease. Therefore, efforts will continue to be made to secure additional allocation of Section 8 and Section 202 funding. Relocation assistance will be required when the existing mobilehome parks close due to development of the land to a higher use.

Physical improvements to be carried out would include demolition of blighted structures, street improvements, land acquisition for housing and other public improvements. The area includes structures which could benefit from Section 8 substantial rehabilitation funding. No additional public services are anticipated at this time. Sewer line expansion may be tied in with possible development of low income housing development. Efforts will be made to coordinate any Block Grant expenditures with other local actions, including local capital improvement program funding. Funding sources also include private investment. Specific timing of these improvements are outlined as follows:

| <u>NEED CATEGORIES</u> | <u>LOCATION</u> | <u>QUANTIFICATION</u> | <u>YEAR ACCOMPLISHED</u> |
|-------------------------------|-----------------------------------------------------------------------------------------------|------------------------------------------------------------------|--------------------------|
| Street Improvements | Camino Parocela, Calle Ajo, Calle Encilia, Calle Santa Rosa, Calle Abronia, Calle Palo Fierro | 5,350 Linear Ft. curbs, gutter, AC pavement | 1 - 9 |
| Sewer Improvements | 20 private units | 20 private units | 1 - 4 |
| Utility Under-grounding | All public streets and rear yard easements | 5,000 Linear Ft. | 1 - 9 |
| Storm Drain Improvements | All public streets | 4,000 Linear Ft. | 1 - 9 |
| Neighborhood Clean-Up | 15 properties | 15 properties | 3 - 5 |
| Crime Prevention Improvements | 40 private units | 40 private units | 2 - 5 |
| Rehabilitation | 25 private units | 25 private units | 1 - 4 |
| Relocation | 50 private units | 50 private units | 1 - 5 |
| Private Development | Tahquitz-McCallum/Andreas east of Indian Avenue to Ave. Caballeros | 250 unit hotel, 75,000 sq. ft. commercial and retail development | 1 - 9 |

A Community Development Block Grant Advisory Committee exists for the Section 14 neighborhood. At least one neighborhood meeting is held annually. Citizen participation will be encouraged and reflected throughout the program planning and implementation stages of the Block Grant Program. The Community Services Commission and the City Council also hold public hearings. The goals of the Housing Assistance Plan and the Housing Element of the General Plan will be addressed in project selection for this neighborhood. Renters predominate the neighborhood and the County Authority will be asked to implement rehabilitation efforts in tenant and mobile housing based on experience in rehabilitation in this neighborhood. The project location is identified as an area in need of the above stated needs and primarily serve low and moderate income persons.

Summary

The three Neighborhood Strategy Areas are each characterized as having low and moderate income households and each area has its own problems and needs. The projects have been identified by the neighborhood residents, through public hearings, as needs which they believe deserve immediate attention. The total of public and private improvements outlined above are realistic to accomplish during the nine year plan. The focus provides a wide range of activities all working together to upgrade the three identified NSA's. A definite linkage

exists between the Desert Highland/Gateway Estates/Section 35 areas and the downtown area. The existing housing and future housing development in the northern areas of the City will provide job development in the needed new construction. Long-term employment resources will be developed in the downtown area commercial and retail development. These jobs will be primarily available to low and moderate income persons. These activities taken in total will arrest the further decline of the NSA's and take positive steps to return them to viable places to live and work. The combined contribution of public and private investment is needed to accomplish this goal.

Recommended priorities for the Neighborhood Strategy Areas are as follows:

| <u>PRIORITY</u> | <u>PROJECT</u> | <u>ESTIMATED COST</u> | <u>POSSIBLE SOURCE OF FUNDS*</u> | <u>LOCATION**</u> |
|-----------------|-------------------------------------------------------------------------------|---------------------------|--------------------------------------|-------------------|
| 1 | Land "write down" for low and moderate income housing | \$250,000- 50,000,000 | CDBG, HUD, UDAG, MRB, PI | Area 2, 3 |
| 1 | Home Improvement Program | \$200,000 | CDBG, CHFA, HA | Area 1, 2, 3 |
| 2 | Off-site Improvements to benefit low and moderate income housing | \$250,000- 5,000,000 | CDBG, PI | Area 1, 2, 3 |
| 3 | Rental Subsidy and Relocation Assistance | \$250,000 | CDBG, HA, MRB, HUD, PI | Area 2, 3 |
| 4 | Child Care Facility | \$ 60,000 | CDBG | Area 1 |
| 5 | Home Protection & Security | \$ 50,000 | CDBG, HA | Area 1, 2, 3 |
| 6 | Job Development through Commercial and Retail Construction and Implementation | \$100,000,000 | CDBG, MRB, PI | Area 1, 2, 3 |

* CDBG Community Development Block Grant
 CHFA California Housing Finance Agency
 HA Housing Authority
 HUD Department of Housing & Urban Development
 MRB Mortgage Revenue Bond
 PI Private Investment
 UDAG Urban Development Action Grant

** Area
 1 Veteran's Tract
 2 Desert Highland and Gateway Estates; Section 35
 3 Section 14/Downtown

NEIGHBORHOOD STRATEGY AREAS MAP

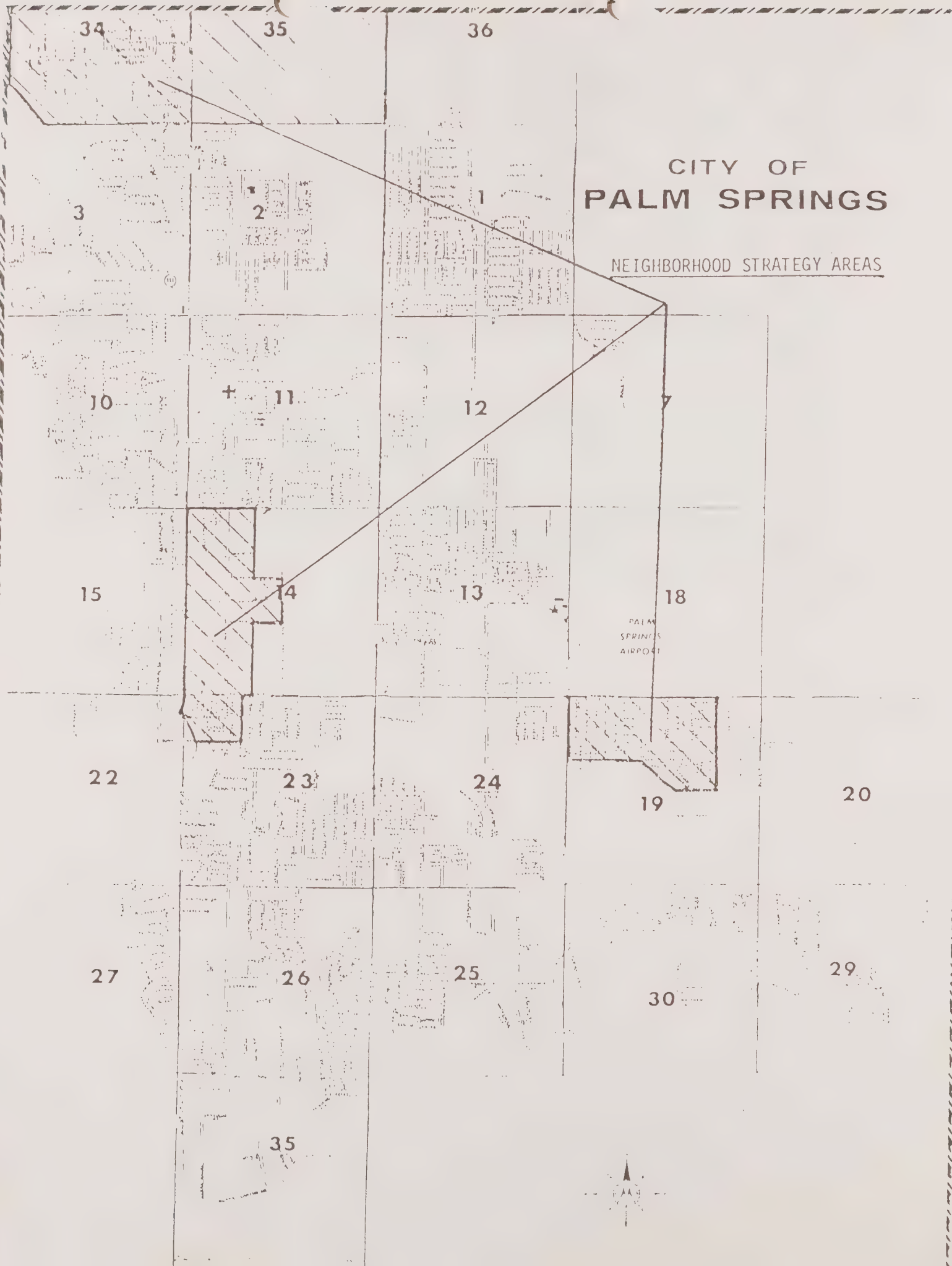
Appendix C: Covenant Control Mechanism/Density Bonus Program

In an effort to encourage the development of affordable for-sale housing in 1980, the City established the Covenant Control Mechanism/Density Bonus Program. Under this program, the City grants an increase in density, and other incentives as appropriate, to those housing developments which address the City's housing need. Besides the density bonus, the other incentives available to affordable housing projects can include the reduction or deferral of fees, priority sewer hook-up, priority permit processing, and the issuance of tax exempt housing mortgage bonds. In exchange for the density bonus and other incentives, the developer agrees to sell the housing at prices affordable to moderate income persons (those earning less than 120% of median income) and to include the Covenant Control Mechanism on all housing units sold. The Covenant Control Mechanism (see attached) insures the ongoing affordability of the housing unit. The incentives and restrictions are included in individual agreements with each developer which are then approved by the City Council.

Three developments are presently involved in the program, encompassing 180 acres with a total of 1,080 units. An additional 40 acres in one development will accommodate 400 units of lower income mobile home rental spaces (115 have been constructed to date). These development include a mixture of one, two, and three bedroom duplex and townhouse condominiums, and two and three bedroom attached and detached single family homes. The present price range of the three developments is \$48,950 to \$75,950. Of the total units, 360 were completed in 1982 and 120 were completed in 1983. The remaining 600 units are planned for completion over the next two years.

CITY OF PALM SPRINGS

NEIGHBORHOOD STRATEGY AREAS



7. The City of Palm Springs is hereby granted an option to purchase the property described herein for the price which should have been in effect pursuant to the formula set forth in paragraph 5 above, if the property described herein is sold at a price in violation of the above conditions and restrictions. Said option shall be in effect for one year after the recording of any assignment of a sublease pursuant to a sale of the property described herein. The City of Palm Springs may exercise its option by giving written notice to the sublessee of record at any time during said one year period. If the option is exercised, the City may buy the property subject to any then existing deeds of trust and pay cash to the then sublessee for the difference between the amount of said trust deeds and the purchase price as defined by paragraph 5 above less any costs incurred by the City including escrow charges and the cost of a title insurance policy.

8. The restrictions and conditions contained herein shall not affect or otherwise defeat the lien of a mortgage or deed of trust placed upon the property in good faith without knowledge that the price limitation provisions of paragraph 5 had been violated.

9. The sublessee herein by signing and accepting this sublease hereby takes the herein described property subject to each and all covenants, conditions and restrictions described herein and further agrees that despite any ambiguities which may exist in this sublease, an action for specific performance may be used to enforce the provisions contained herein. Any costs incurred, including attorneys' fees shall be assessed in favor of the prevailing party in any litigation filed to enforce the provisions contained herein.

10. The covenants and restrictions contained herein shall run with the land and shall be binding on all parties claiming under this sublease.

11. Wherever the term sublessee is used herein, it shall mean the sublessee, his heirs, assignees and successors in interest.

12. It is understood none of the provisions contained in this restriction and covenant shall be applicable if there is a net decline in the cost of living during the measuring period.

13. Sublessee hereby declares under penalty of perjury that Sublessee will occupy the herein described premises as his principal place of residence. Any violation of this provision will result in the City of Palm Springs having the option to purchase the property pursuant to paragraph 7 above.

Executed on _____, 1980, at Palm Springs, California.

By _____

SUBLESSOR

SUBLESSEE

SUBLESSEE

COST OF LIVING FORMULA

For the purpose of computing the sale price of the property described herein, the Consumer Price Index (CPI) for the month of _____ 1980 is the base, or 100%. The increase in the CPI over the base period shall be determined by reference to the index for either the month of January or June in the year of sale, closest to the time of verification by the Certified Public Accountant as provided in Section 6 above, whichever month has last occurred for which an index figure has been published. The CPI index shall be the one published by the Bureau of Labor Statistics of the U.S. Department of Labor, CPI, all items, "Urban Wage Earners and Clerical Workers", Los Angeles - Long Beach - Anaheim, Metropolitan Area.

If for any reason whatever, there is any change in the method of calculation or formulation of said price index, or if that price index shall be no longer published, then another index generally recognized as authoritative shall be substituted. In any event, the base used by any new index shall be reconciled to the above 1967 index.

Notwithstanding the above provisions, such increase shall not exceed an average of nine percent (9%) per annum or seventy-five percent (75%) of the above CPI, whichever is greater.

EXHIBIT "A"

On October 22, 1980, the Planning Commission approved the language in the attached covenant control mechanism. If rental housing is proposed as an aspect of Density Controlled Residential development, a similar cost control should be developed to ensure its affordability. Adherence to the present City Rent Control Ordinance mechanism should preserve its affordability. The intent of the General Plan Amendment is to provide an opportunity for development at increased density if it can be shown that the proposed project will result in affordable housing that meets the goals and objectives of the elements of the General Plan.

Thomas E. Lynch
THOMAS E. LYNCH
Housing Administrator

APPROVED John A. Mangione
JOHN A. MANGIONE
Director of Community Development

APPROVED
City Manager

ATTACHMENTS:

1. Covenant Mechanism
2. Resolution

WP 3203-4

CITY OF PALM SPRINGS

COVENANT TO BE ATTACHED TO SUBLEASES/ASSIGNMENTS/GRANT DEEDS

1. These restrictive covenants and conditions are imposed on the property conveyed herein pursuant to a general plan and program of the City of Palm Springs to support the California State Housing objective of encouraging cities and counties to achieve plans to enable developers to create housing at a price that is affordable to low and moderate income purchasers. In addition, the objective is to control the resale price of the property conveyed herein so that it will continue to be available to low and moderate income purchasers.
2. The property subleased herein is part of a housing project approved by the City of Palm Springs with the condition that the dwelling units be subject to the restrictions contained herein. The sublessee by signing this sublease acknowledges that the City of Palm Springs would not have approved the housing development of which this unit is a part without an agreement by _____ to impose the restrictions and conditions contained herein.
3. The property conveyed herein was purchased by the sublessee at a price of \$ _____, including all closing costs.
4. This sublease is made subject to the restrictions and conditions herein contained.
5. The sublessee herein shall not sell the property described herein for a price higher than the total of:
 - 5.1 The original purchase price described in paragraph three above.
 - 5.2 The cost of any capital improvements installed by the sublessee pursuant to a building permit required by ordinance and issued by the City of Palm Springs, or such improvements as would qualify as capital improvements as distinguished from maintenance items under Internal Revenue Code and Regulations.
 - 5.3 An additional amount equal to a percentage of the amounts set forth in paragraphs 5.1 and 5.2 which percentage is established by the increase in the cost of living determined by reference to the cost of living clause described in EXHIBIT "A" attached hereto and incorporated herein by reference. For the purpose of applying the cost of living clause to the items described in paragraph 5.2, the base month and year shall be the month and year the expenditure for improvements is made.
 - 5.4 The selling costs including, as examples and not as limitations, sales commissions, escrow costs, title company charges, termite repairs, loan pre-payment penalties, finance charges, verification by a C.P.A., and other charges directly related to the sale of the property.
6. The proposed sale price described in paragraph 5 above shall be verified by a certified public accountant licensed to practice in the State of California. Evidence of such verification shall be in the form of a letter from the certified public accountant sent to the City of Palm Springs, P.O. Box 1786, Palm Springs, California, 92263, with a copy to the escrow holder, if any, and a copy to any lender financing the proposed sale. Any costs incurred in such verifications shall be paid by the sublessee named herein.

The HUD-sponsored Section 8 rental subsidy program has established a median income of \$17,687 for an average family of four persons. Additionally, the State Department of Finance has used a figure of \$17,400 as the median household income for the area. These median income ranges are usually updated annually. Using the best possible case, from the developer's standpoint of a median income of \$17,687, and applying the HUD affordability criteria of persons paying no more than 25% of their income for housing payment, and finally assuming a 30-year term at 12% interest, the monthly payment maximum would be \$368.48. This figure should also include a portion for utility costs. Translating this cost back to a monthly payment the amount of a mortgage should be approximately \$35,000. A lower interest rate or assuming a 120% maximum moderate income definition would obviously increase the maximum mortgage. Assuming a 30-year term at 10% interest and a 120% moderate income definition serving the needs of a family of four, the monthly payment maximum would be \$442.18. This figure translates to a mortgage of approximately \$50,000.

Based on the above, staff recommends that the initial sales price be fixed at a not to exceed level before final project approval to ensure the affordability for moderate income persons. This not to exceed level may be established by negotiation with the developer taking into account the median household income in effect at the time of the completion of construction. Affordability criteria used in making a determination on the housing projects proposed will also include mortgage interest rates and terms for both primary and secondary financing, down payment required, home owners association fees, lease payments, other assessments, and any governmental assistance applied toward the project. The above criteria, taken in total, must prove to be accessible by those whose incomes fall below 120% of the median income for the area.

The covenant control mechanism also allows for an increase in sales price of the property based on the Consumer Price Index (CPI). Historically, the CPI has risen faster than average wages or income. Recently, the CPI has made tremendous annual advancement and income has not kept pace. The historical trend for annual income increases, as shown by statistics compiled by the State Division of Labor Statistics and Research, averaged between 7% to 8% per year. The CPI is the basis for most escalator or cost-of-living clauses in the United States. It is therefore appropriate that the CPI be used for the control mechanism for property sales, provided that the annual increase not exceed 9% or three-quarters of the CPI, whichever is greater. This limiting factor of the CPI would also make the covenant control mechanism consistent with the existing City Rent Control Ordinance. This would insure that any housing developed, under the provisions of the General Plan Amendment, remain accessible to moderate income households throughout the life of the project.

DATE: December 4, 1980

TO: City Council

FROM: Housing Administrator via Director of Community Development

COVENANT CONTROL MECHANISM

RECOMMENDATION:

It is recommended that the City Council approve the attached covenant control mechanism regulating sales and resales in density controlled residential projects.

BACKGROUND:

The City of Palm Springs is seeking to establish a control mechanism to help further the goals and objectives of the City's Housing Element. On February 6, 1980, the City Council approved a General Plan amendment on 120 gross acres of vacant land bounded by San Rafael Drive, Sunrise Way, Racquet Club Road, and Aurora Drive. The amendment changed the land use designation from "Airport Noise and Blowsand" and "Low Density Residential" to "Density Controlled Residential (Six (6) units per acre)." This General Plan designation would allow consideration of proposals for increased residential densities over and above underlying zone classifications, when such proposals serve to further the goals and objectives of the City's Housing Element. This General Plan action also relates closely to recent action taken by the City, acquiring 80 acres of land in the southeast corner of Section 35. A Specific Area Plan is being developed incorporating relocation housing for displaced trailer park tenants as well as development of other low and moderate cost housing.

In order to ensure that any housing built utilizing this density increase remains affordable by moderate income persons, a control mechanism in the form of a deed restriction must be tied to the project approval. This covenant would be recorded against the property to control the initial sale price and resale price upon conveyance of the property. The approval of a housing project is contingent on the covenant adequately outlining restrictions and conditions on the initial sale price and resale price of the property.

The proposed control mechanism would require minimal City participation. A formula is set forth in the covenant which controls resale price, is binding on all parties, and shall be verified by a certified public accountant. Provision is made for the City to exercise an option on the property if the property is sold at a price in violation of any of the conditions. Further provisions allow for an increase in the price of the housing if capital improvements are added. The covenant and restrictions run with the land, and all owners must occupy the premises as their principle place of residence. The General Plan Amendment would allow controlled density increases up to 6 d.u./acre if the development proposed were for moderate cost housing.

Different definitions exist for moderate income persons ranging from 80% to 120% of median income. Median income definitions have a range for both households and individuals. HUD, for example, uses a median household income figure of \$15,300 for Riverside-San Bernardino County Standard Metropolitan Statistical Area (SMSA).

